FINANCIAL TIMES

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Drugs: Crack in the American dream, Page 18

World News

Renewed protests reported in Azerbaijan

About 100,000 people staged a demonstration in the Azeri capital of Baku to protest against the burning of an Azeri home by Armenians, an Azerbaijan Foreign Ministry official said.

The incident followed a demonstration by 15,000 people in the Armenian capital of Yerevan on Tuesday. And a Tatar activist said 1,000 Crimean Tartars had staged a demonstration in the southern town of Abinsk to protest against police checks on people entering the Crimean peninsula. Page 20

Bangemann quits

West German Economics Minister Martin Bangemann, 53, said he would resign and stand as a candidate for the post of president of the European Community's Executive Commission. Page 20

Gulf tanker hit

Three Iranian gunboats attacked a Norwegian-owned tanker with rocket-propelled grenades as it headed into the Gulf for Kuwait, wounding a Norwegian crewman. It was the second such raid in 24 hours. Page 6

President for Singapore

Singapore said it was drafting legislation to pave the way for a popularly-elected president.

Istanbul bomb blast

An explosion at Istanbul's main bus terminal for European and western Turkey services injured nine Turks.

Belfast explosion

A bomb exploded at the annual Royal Ulster Agricultural Show in Belfast, Northern Ireland, injuring three policemen and four civilians.

Tutu returns to protests

Archbishop Desmond Tutu, returning to South Africa from a month-long European trip, was met with protests by unemployed black workers and white students; and a scathing attack from Foreign Minister Pik Botha over his calls for tougher sanctions against Pretoria.

French N-pollution

Radioactive discharge from a French nuclear reprocessing plant at Cap de la Hague polluted large areas of French coastland and could be a threat to the Channel Islands, the Greenpeace environmentalist group said.

Sarney eases trade

President Jose Sarney of Brazil was due to announce wide-ranging measures aimed at ending the country's 40-year-old import substitution policy and liberalising its trade regime. Page 4

French poll forecast

The French Socialists Party looked set to win an absolute majority in France's general election, according to a newspaper opinion poll. Page 3

Mass starvation threat

A senior official of the Eritrean People's Liberation Front, main guerrilla organisation seeking autonomy from Ethiopia, warned of "the spectre of mass starvation" in the country. Page 6

Seoul students' demo

More than 20,000 students marched on the US Information Service building in Seoul, demanding that American troops be withdrawn from the country. Page 6

Soviet Afghan toll

Between 12,000 and 15,000 Soviet soldiers had died in Afghanistan's civil war, a Soviet official confirmed. Page 6

Olive oil arrests

Italian police arrested 24 olive oil producers on charges of defrauding the EC of about L25bn ($20m) in subsidies.

Business Summary

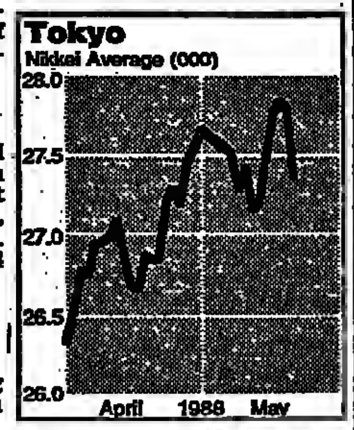
UK jobless lowest for six years, lending up

UK UNEMPLOYMENT fell to its lowest level for more than 6½ years in March. Seasonally adjusted figures fell 49,000 to 2,455,000.

At the same time figures released by the Bank of England showed a record rise in lending for April at £8.2bn ($15.2bn). Page 8

JUSCO, one of Japan's largest supermarket groups, is buying Talbots, a US store chain, for $325m in the first significant Japanese acquisition in US retailing. Page 20

TOKYO: Nikkei average suffered sharpest fall this year following steep overnight drop in US bond



and equity prices. Nikkei average closed down 394.34 at 27,373.34. The previous sharpest fall was in January. Page 44

WALL STREET: The Dow Jones industrial average closed up 7.63 at 1,958.72. Page 44

LONDON: Market was nervous after falls in Tokyo and New York leaving the FT-SE 100 index down 17 to 1,760.6. Page 40

DOLLAR closed in New York at DM1.7017, Y124.87, SFr1.4180, FFr5.7555. It closed in London at DM1.7000 (DM1.7050), Y124.80 (Y125.40), SFr1.4170 (SFr1.4210), FFr5.7525 (FFr5.7675). Page 33

STERLING closed in New York at $1.8630. It closed in London at $1.8670 ($1.8645), DM3.1750 (DM3.1800), Y233.00 (Y233.75), SFr2.6450 (SFr2.6500), FFr10.7400 (FFr10.7525). Page 33

BEAR, STEARNS of the US is to re-examine its position on index arbitrage. The company issued a statement as a result of Federal Reserve Chairman Alan Greenspan' statement yesterday that excessive restriction on index arbitrage would limit market liquidity and tend to destabilise the market.

UNION CARBIDE, US chemical concern, saw its shares fall sharply early yesterday after announcement of quarterly dividend cut. Page 21; Lex, Page 20.

ARTHUR ANDERSEN, biggest US accountancy firm, suspended the head of its domestic consultancy operation. Page 21

THOMSON CSF, French state controlled defence and professional electronics group, announced broad-ranging industrial redeployment and restructuring plan. Page 21

TEXAS INSTRUMENTS, US semiconductor group, is reshaping its European activities to take advantage of removal of EC trade barriers in 1992. Page 21

OLIVETTI, Italian data processing equipment maker, said sales rose 11.7 per cent in the first four months. Page 22

PHARMACIA, Swedish biotechnology and pharmaceuticals group, increased profit by 6 per cent in first–quarter. Page 22

ISTITUTO San Paolo di Torino, Italian commercial bank, paid some FFr1bn ($173m) to buy Banque Vernes et Commerciale, Paris-based bank. Page 22

FOKKER, Dutch aerospace group, launched Fl 107m ($56.3m) rights issue in which Dutch Government will take up to 49 per cent. Page 22

BANK OF NEW ZEALAND recorded net profits of NZ$181.6m ($125m), up 22.3 per cent. Page 23

SHARP DIFFERENCES REMAIN ● BUT OECD BROADLY SATISFIED ON ECONOMIC OUTLOOK

US and EC strike uneasy accord on farm aid, trade

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN PARIS

THE US and the European Community yesterday announced an uneasy compromise on their approach to agricultural subsidies and wider trade issues in the current Uruguay Round of the General Agreement of Tariffs and Trade (Gatt).

A communiqué released after two days of ministerial talks at the 24-nation Organisation for Economic Co-operation and Development (OECD), however, did not disguise sharp differences between Washington and Brussels on the scope for progress ahead of the Montreal mid-term review of the trade talks in December.

The 11-page OECD communiqué expressed broad satisfaction with the world economic outlook while urging further measures by the largest nations to reduce international trade imbalances.

Finance ministers from several countries, however, admitted their concern about the fragility of financial markets reflected in the latest round of share price falls and the possibility of rising inflation in the US.

Mr James Baker, the US Treasury Secretary, rejected market concerns that the pace of growth in the US economy could spark a resurgence of inflation.

He said he was satisfied with the present policy stance of the US Federal Reserve Board which aimed to strike a balance between containing inflationary pressures and maintaining the momentum of economic growth.

There was no sign that the inflation rate in the US would

US Treasury Secretary James Baker (right) discusses OECD affairs in a private meeting in Paris yesterday with Pierre Beregovoy, the French Finance Minister

exceed significantly, if at all, the 4 per cent rate for 1988 forecast by the Administration. The US Treasury Secretary went out of his way to stress his commitment to continued exchange rate stability.

In parallel, Mr Onno Ruding, the Dutch Finance Minister, said that the recent rise in market interest rates in the US should not be used as an excuse by other industrialised countries to raise their borrowing costs. The present outlook for prices in West Germany and in other European nations did not justify any upward move in rates, he said.

The OECD communiqué, which is an early guide to the likely conclusions of next month's seven-nation economic summit in Toronto, cites a familiar list of policy prescriptions.

The US is urged to adopt measures to increase the level of saving in its economy to parallel efforts to reduce the Federal budget deficit.

Japan should maintain flexible fiscal and monetary policies to maintain the momentum of demand in its economy, while taking further action to open up its market and pursue structural adjustment policies across a wide range of areas including taxation, the distribution system and land use.

In Europe, the communiqué says, policy action should focus on microeconomic policies designed to improve its economic growth potential. Increased liberalisation in financial and labour markets, reform of farm policies and curbs on industrial subsidies are cited as particularly important for West Germany.

The document also calls for informal dialogue with newly industrialising countries in Asia on their responsibilities towards reducing trade imbalances.

Most of the bargaining at this week's discussions focused on what signal the industrial countries should provide for the Gatt trade talks.

After two days' debate between US and European Community officials, the US was forced to drop demands that the OECD endorse the principle of a framework agreement on the eventual elimination out of farm subsidies.

Mr Willy de Clercq, the European Commissioner responsible for the trade talks, insisted that the Community would not pre-empt the present discussions in the Gatt nor would it give a pledge to work towards the elimination of farm subsidies.

The US Administration similarly would not give a firm commitment to assuage European fears that cutbacks in its agricultural set-aside programme might result in a sharp increase in the amount of grain coming on to world markets.

Summary of communiqué, Page 2; Editorial comment, Page 18

Baker calls for greater co-operation on economic policies

By Philip Stephens in Paris

MR JAMES BAKER, the US Treasury Secretary, will today seek to give added impetus to efforts by leading industrial nations to strengthen the international monetary system with proposals for tighter co-ordination of their economic policies.

In a speech in Paris to the Council on Foreign Relations, Mr Baker is expected to call for further development of the indicators of economic performance used by the Group of Seven industrialised nations as a basis for policy co-operation.

The speech, regarded by US officials as an important statement of current US policy, will indicate that the US Treasury Secretary is not looking for "revolutionary change" in the world monetary system.

Mr Baker believes, however, that leading industrial nations are in a position to give their present pragmatic approach to reforming the system "impetus and meaning."

In particular, the US wants to build on the progress towards much closer co-operation in economic and exchange rate management in the Plaza and Louvre accords and at the Tokyo and Venice world economic summits.

Specifically, Mr Baker will urge that the Group of Seven should advance the use of indicators of such variables as growth and trade balances in the joint monitoring, or surveillance, of their economies.

The Seven should "refine the means of assessing whether an economy's performance is significantly deviating from an appropriate path, suggesting the need for consultation and possible actions," Mr Baker believes.

In parallel, governments should consider broadening the co-ordination process to include structural reform of their economies in areas such as taxation, financial market liberalisation and deregulation of labour markets.

The US Treasury Secretary is careful to stress that the performance indicators should not be regarded as "automatic trigger devices." His proposal, which is likely to be on the agenda at next month's world economic summit in Toronto, are likely nonetheless to prompt some unease among European members of the G-7.

Continued on Page 20

Iran drops opposition to Syrian troops in south Beirut

By Our Foreign Staff

IRAN last night dropped its opposition to Syria's plan to end two weeks of fierce fighting between rival Shia Moslem militias by sending troops into Beirut's southern suburbs.

Mr Ali Mohammed Besharati, an Iranian Deputy Foreign Minister who has been conducting several days of difficult negotiations with the Syrian authorities over the troop deployment, said: "If the entry of Syrian troops to the suburbs ensures security, then we don't oppose this security. We want what the Lebanese want."

But signalling that further negotiations would be necessary before the troops can move in, he added: "Even if the Syrian forces do enter the suburbs, this needs preliminary steps."

Mr Besharati's remarks followed a renewed flare-up in the fighting, with Syrian positions on the airport road reported to have come under fire from Iranian-backed Hizbollah (Party of God) fighters.

His comments imply a significant softening of Iran's approach towards Syrian efforts to end the conflict between the Syrian-backed Amal militia and Hizbollah, in which at least 260 people have died and 1,100 have been wounded.

Iran, which has invested considerable political capital in efforts to win influence in Lebanon's Shia community, has consistently opposed a Syrian role in the southern suburbs.

Syria's announcement last Sunday that it would send in troops to separate the combatants caused serious differences between the two strategic allies.

It was still uncertain last night how Hizbollah would react to any Syrian move. The fundamentalist movement has vowed to resist, and even the Iranian Government may not be able to persuade it to lay down its arms to facilitate a peaceful deployment.

Meanwhile, a top US diplomat is to hold talks with Syrian leaders in Damascus today in which he will express renewed concern for the safety of American hostages in Lebanon in view of the fighting.

The visit by General Vernon Walters, US ambassador to the United Nations, has been lent fresh urgency by reported threats from Hizbollah to kill the 20 or so hostages – including 10 Americans – it is believed to be holding if Syria carries out its troop deployment plan.

Gen Walters, who has been in Israel for the last few days for talks with senior Israeli and international agency officials,

Continued on Page 20

Share prices fall on world markets

BY JANET BUSH IN NEW YORK AND SIMON HOLBERTON IN LONDON

SHARE PRICES fell yesterday in both Tokyo and London as this week's sharp falls in US equity and bond prices finally took their toll on the mood in overseas financial centres.

The Nikkei index fell 394.34 points in its largest single-day decline this year while, in London, the FT-SE 100 closed 17 lower at 1,760.6. London was buffeted by the previous day's poor performance on Wall Street and Tokyo's steep fall overnight.

London's tone was not improved by ambiguous economic figures released for the UK economy which showed a record rise in bank and building society lending, an apparent fall in manufacturing output and another large fall in recorded unemployment.

It was, however, concern over Wall Street which provided City of London institutions with another excuse not to commit their cash to the market.

In New York equities were hit by another wave of selling at the opening, taking the Dow Jones industrial average more than 25 points down to its lowest level since early February, before staging a modest recovery in late trading. US bond prices started sliding again after recovering somewhat in overseas trading.

But perversely, both bond and equity prices started to improve in New York just after London financial markets had closed lower.

The Dow Jones industrial average closed up 7.63 at 1,958.72 as blue chips staged a modest rally. Bond prices stabilised and started to move cautiously higher. The Treasury's benchmark long bond was quoted in late trading 1/8 point higher to yield 9.26 per cent.

The negative reaction in US financial markets to Tuesday's news of a substantial improvement in the US trade deficit in March has sent a worrying message to markets overseas.

This apparently contradictory behaviour highlights the extreme vulnerability of the mood in the US and provides evidence of a negative psychology which could prove destabilising and start to make policy decisions more difficult.

There is a propensity in markets to read higher inflation into every statistic and to paint only extreme pictures of prospects for the US economy.

Mr Lars Pedersen, chief international economist of securities research at Merrill Lynch, said: "The markets are whipping around because they are taking much more extreme views of everything than the underlying economy justifies. They are talking about much more rapid inflation or a financial market collapse. What is really going on is a debate about whether economic growth is going to be 2 per cent or 3 per cent."

UK figures, Page 8; Lex, Page 20; Currencies, Page 33; World Stock Markets, Page 44

Moscow prepared to become an African peace guarantor

BY QUENTIN PEEL IN MOSCOW

THE SOVIET Union is prepared to act as a co-guarantor of any regional peace agreement which may emerge from the current negotiations between South Africa and Angola to end the conflicts between them, a senior Soviet official said yesterday.

A deal involving a withdrawal of both South African and Cuban forces from Angola, tied to the implementation of the United Nations-supervised plan for independence in neighbouring Namibia (South West Africa), is clearly regarded with enthusiasm in Moscow.

However, Mr Vladillen Vasev, head of the Southern Africa Department in the Soviet Foreign Ministry, spelled out several obvious stumbling-blocks to a settlement of the conflicts over Angola and Namibia.

He said the Angolan Government would not accept any involvement of Unita, the South African- and US-backed guerrilla movement led by Mr Jonas Savimbi, in an international settlement. "They consider this as an internal affair," he said.

"Inside Angola they will have to deal with Unita," he said, leaving his words deliberately ambiguous. "They have found ways in the past of dealing with the FNLA and FLEC (the two other rival groups involved in the Angolan civil war). I would say they will solve their problems with Unita."

Another problem would be how to synchronise the time-scale of the South African withdrawal from Namibia, and that of the Cuban forces from Angola.

"It cannot be synchronised as the South Africans want," he said. "Linkage pure and simple is not acceptable to the Angolans."

He said that whereas the UN plan for Namibia foresees a South African withdrawal from that country – and thereby out of range of Angola – in seven to 12 months, Luanda says it needs the Cuban troops to stay for 48 months for its own security.

Mr Vasev made clear the Soviet enthusiasm for an agreement, in which he said Moscow had hitherto played "a consultative role."

"We are very keen on a solution in the whole of southern Africa," he said.

Apart from the Angolan conflict, Mr Vasev identified other issues of concern as the dismantling of apartheid, the decolonisation of Namibia and the security problems of the front-line states neighbouring South Africa.

"One could envisage a global solution to the whole pattern of these problems," he said. "But realistically speaking, we always stood for solving these problems separately. If they were ripe for solution, they could be worked out."

He did not think that the South African Government would necessarily insist on the withdrawal of African National Congress (ANC) bases from Angola, on the grounds that Namibia would be an adequate buffer against ANC guerrilla incursions.

Similarly, he felt that Angola would not feel threatened by the presence of South African troops on the Orange River – the South African-Namibian border – after a South African withdrawal from an independent Namibia.

Mr Vasev said the international guarantee of a peace agreement could take many forms, with a role for the UN because of its heavy involvement in the Namibian independence process.

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THATCHER STILL PADDLES HER VERY OWN CANOE

The British Prime Minister, who remains in firm control of her permanent revolution, Page 19

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Belgrade hopes for $1.2bn loans 'within weeks'

BY BRUCE CLARK AND ALEKSANDAR LEBL IN BELGRADE

YUGOSLAVIA hopes "within the next couple of weeks" to secure the $1.2bn (£645m) in financing it needs to start implementing an IMF-sponsored programme of economic liberalisation, a senior official said yesterday.

Mr Boris Skapin, the Assistant Federal Secretary for Finance, said in an interview that the authorities needed $500m "in hand" and reasonable assurance that the rest would be forthcoming by the end of the year, before it activated the programme. The latter involves phasing out price controls and liberalising, for the first time in Yugoslavia's post-war history, the inflow of foreign exchange and imports.

While some of the initial $500m might be to short-term credits, these funds would need to be replaced by longer-term lending in the coming months. The Bank of International Settlements has already approved $250m in short-term loans.

The Government said at the weekend that it was delaying the IMF programme for 10 days because the necessary financing was not yet in place.

The financing had to be freely available for such purposes as topping up foreign exchange reserves, rather than "tied" money, such as suppliers' credits.

Yugoslavia hoped to secure the money from the following sources: $150m from the World Bank (the first tranche of an expected structural adjustment loan), $300m from commercial banks, $260m from the IMF, and $500m from various Western governments.

● Yugoslavia's balance of payments has improved sharply in the first four months of 1988, according to unpublished statistics made available to the FT.

Taking only dealings in convertible currency, which are most closely watched in the West, visible trade showed a surplus of $160m, against a deficit of $532m in the first four months of last year. The current account was in surplus by $515m, compared with a shortfall of $339m for the corresponding period of last year.

When Yugoslavia approached the commercial banks last month it told them it was projecting a modest 1988 current account surplus of $400m, compared with a $1bn surplus last year, which was balanced by $722m listed as "errors and omissions".

Performance to the first four months of the year suggests that the 1988 target could easily be outstripped, but the effects of the liberalisation programme are hard to predict. The intention is that the availability of imports and foreign exchange should help industry secure necessary raw materials, while tight monetary conditions, plus an expected devaluation, should avert the danger of a flood of imports.

Yugoslavia's projections also show hard currency external debt rising from $18.7bn at end-1987 to $19.4bn at end-1988, excluding short-term debt which stood at $1.5bn at end-1987.

OECD MINISTERIAL MEETING IN PARIS

Cautious optimism about economic outlook

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

SUMMARISING THE world economic outlook – the problems, opportunities and policy priorities – in 11 pages or so is never an easy task. Getting 24 sovereign governments to bury their differences to the process frequently turns such an exercise into a search for the lowest common denominator.

The communiqué released yesterday after two days of ministerial talks at the Organisation for Economic Co-operation and Development therefore contains few suprises.

Much of the language verges on the anodyne. Compromises on difficult issues such as agriculture have resulted in phrases which one senior European official readily agreed are meaningless to everyone except a handful of drafting experts.

The final document, none the less, is not without its message and will provide the blueprint for the summit of the Group of Seven industrial nations in Toronto next month.

On macro-economic issues, the underlying perspective is little changed from that seen at last month's meetings at the International Monetary Fund. Cautious optimism is the order of the day, with background concern about the continued fragility of financial markets.

World economic growth has emerged relatively unscathed from the stock markets' crash, inflation rates are generally low, the key trade imbalances between the US, Japan and West Germany are being slowly eroded.

The priority is to stick with the co-operative strategy developed within the Group of Seven nations, with the US continuing to concentrate on reductions in its budget deficit and Japan and West Germany maintaining their efforts to stimulate faster growth. Washington also receives an oblique reminder not to allow its inflation rate to accelerate.

Governmants have also sought to strengthen their commitment to a parallel set of micro-economic policies aimed at boosting potential growth rates, particularly in Europe. The communiqué contains a lengthy list of policies, from tax reform, cuts in industrial subsidies and deregulation to increased labour market flexibility and training, which have become accepted economic orthodoxy.

Among the priorities are action in the US directed at boosting the level of domestic savings as well as reductions in the federal budget deficit, and changes in the tax system and in land regulations in Japan to promote both increased domestic consumption and investment. On the other hand, a reference to the virtues of privatisation fell by the wayside during the drafting sessions. President François Mitterrand'e interim government in France was not enthused with the idea of giving credit to its predecessor.

The OECD, meanwhile, is to be given a more prominent role in the monitoring of progress in such structural policies.

What is absent is anything in the area of major new initiatives in either the macro or micro fields. The communiqué sticks firmly to the notion that it is easier to deal in generalities.

A section on the need to establish a dialogue with the newly-industrialising nations in Asia – Taiwan, South Korea, Singapore and Hong Kong – about their growing trade surpluses is even vaguer. Britain won support from the US for its idea that the latter two, with more open economies, should be treated separately.

No-one, however, could offer a clear idea of just what form any consultations might take, particularly with Taiwan. The Japanese suggested a seminar to which representatives from a whole range of countries would be invited. Others thought some quiet diplomacy by Mr Jean-Claude Paye, the OECD Secre- tary-General, might be a better approach.

It was the section of the communiqué dealing with agriculture and other trade issues which proved the most troublesome. The original draft was littered with the square brackets which denote a series of demands by one or more delegations which could not win unanimous support.

The final text reveals the eventual compromise between the European Community and Japan on one side and the US, Canada and several allies on the other.

Washington's demand that the 24 agree to establish a framework accord on the eventual elimination of farm subsidies before the mid-term review in December of the current Uruguay trade round is replaced (at the insistence of Brussels) by a much more generalised commitment to agricultural disarmament.

Governments will seek to agree on a "framework approach" to agriculture at the mid-term review. There was no immediate explanation of what exactly that means.

US ambitions to get accelerated progress in negotiations covering services and intellectual property rights were similarly thwarted by objections from countries ranging from West Germany to Australia. Instead of the commitment to a framework agreement within the next six months, Washington found itself having to accept the words "liberalisation of trade in services remains an important objective for OECD members." Hardly a phrase to set the world alight.

Food industry may face upheaval in run-up to 1992

BY LISA WOOD

THE EUROPEAN food industry will undergo large-scale restructuring and consolidation in the run up to 1992 and the year afterwards, according to a report by Mac Group*, the international management consultancy.

The study by the MAC group, carried out for the European Commission's Cecchini Commission, compared developments in the US food industry with those in Europe. Mr Robert Gogel, vice-president of MAC said: "The European food industry is exceptionally fragmented. The recently announced takeovers are just the beginning of what will be many more mergers as companies attempt to concentrate market power within the European Community."

The report pointed out that in the US food groups had been pursuing a strategy of becoming the dominant brand in a product sector and achieving nationwida coverage. Profitability of brand leaders was greater than second-tier brands and nationwide coverage maximised the volume over which fixed costs could be amortised.

European companies operating in the Common Market did not follow an EC-wide strategy. The report said that out of a sample of 46 leading EC-based food companies half had a presence in only two or less countries.

The report said: "As a result of national focus, few major EC companies enjoy high brand strength with wide geographic coverage. Instead, many companies operate in one or a small number of countries with both strong and weak brand positions."

Obvious historical reasons – from culture to trade barriers – accounted for this situation, said the report. "With the creation of a single market in 1992, all of these elements will be decreasing in importance."

The report argued that as the single marklet was increasingly realised it was reasonable to expect EC food companies to seek to increase both their brand strength and their geographic coverage. It said: "Such movements however could trigger – as they did in the US – a major consolidation and restructuring of the food industry."

The report said on the basis of brand strengths and geographic coverage non-EC companies, including Swiss companies, were better positioned to undertake such a restructuring than many EC-based companies.

**Details available from Groupe Mac, 11 Bd Latour Maubourg, 75007 Paris, France. Tel.(1) 45559178.*

Europe aims to show it is pulling its weight in Nato

BY DAVID BUCHAN IN BRUSSELS

NATO defence ministers are expected next week to launch a special "burden sharing" study in response to growing US complaints, particularly from Congress, that its allies are not shouldering a fair share of alliance responsibilities.

After Mr William Taft, the Deputy US Defence Secretary, delivered a tart warning earlier this month to US allies, Lord Carrington, Nato Secretary General, set up an executive working group to draft a mandate for a burden sharing study to be approved by Nato ministers at their regular defence planning meeting here on May 26-27.

A senior official said yesterday the aim was for the study group to report to ministers by December, a month after the US election, so as to influence both Congress and the "transition" team of the new Administration, whether Republican or Democrat. The report on the European defence effort "will need to cut more ice on Capitol Hill" if Congressional moves to reduce the US military presence in Europe are to be averted next year, the official said.

Nato officials are confident that Europe's defence effort can be portrayed in a satisfactory light to Congress. The US "input" into defence of 6.5 per cent of gross national product was well above that of Europe – an average 3.5 per cent. But the relative difference in actual military "output" was smaller because European armed forces had to spend less on wages (because many had conscription) and on deployment (because they were nearer the central front). In addition, countries like West Germany had to put up with large numbers of foreign troops on their soil.

But the issue of what the senior Nato official yesterday termed "the appropriate division of roles, risks and responsibilities" has again been brought to the fore by three recent moves by US allies. They concern the row in Denmark over accepting visits by nuclear-armed Nato ships, Spain's expulsion of US F-16 fighters and Canada's abandonment of its commitment to reinforce northern Norway. The consequences of at least the Spanish and Canadian moves are expected to be discussed, though not resolved, at next week's ministerial meeting.

From outside Nato, the European Commission has injected a further potential irritant into the burden-sharing issue by publicising its intent to extend the principle of a common external tariff on imports entering the Community to military as well as civil goods.

Such a plan is already being viewed by the US as protectionist, indirectly increasing the cost of US defence support of Europe. But EC officials are less concerned with possible diplomatic damage than with completing the single EC market. They argue they cannot go ahead with their stated intention of extending public procurement liberalisation to defence without first extending some measure of external tariff protection to the defence sector.

Lufthansa chief hits at airspace overcrowding

BY HAIG SIMONIAN IN FRANKFURT

WEST Germany's air travellers, who have been facing increasing delays owing to overcrowded airspace, drew little comfort yesterday from Mr Heinz Ruhnau, executive board chairman of Lufthansa, which has been hit particularly badly by the congestion.

The problems, which stem from inadequate investment in airport facilities and air traffic control, have led to increasing frustration among passengers and hit both Lufthansa's timekeeping, on which it prides itself, and its pocket book.

"In the first four months of 1988 our aircraft have flown 2,500 hours to the Federal Republic of Germany's airspace in holding patterns, at a cost of DM23m," be said yesterday. Lufthansa had burned an extra 10.6bn litres of jet fuel because of the delays.

The company is particularly affected by the overcrowding, which has steadily worsened as the European holiday season builds up. This is because German airspace is a crossroads for flights from Western Europe to the Mediterranean and also for southbound traffic from Scandinavia.

Lufthansa's dense network and short turnaround times mean passengers have found themselves waiting longer on the ground than they spend in the air on their short domestic flights.

The situation is worst at Munich, where the city's old airport, to be replaced in 1991 with a multi-billion D-Mark successor, is bursting at the seams.

"Munich has only one runway, making it unusually congested," said one Lufthansa captain resignedly on Tuesday after a 45-minute flight from Munich to Frankfurt had taken over three hours.

"There is also a lot of recreational traffic at Munich, which takes up further space. But air traffic control throughout Europe has failed to keep pace with demand to the past two or three years," he said.

With summer schedules getting into full swing, the delays over Germany look set to worsen. However, Mr Ruhnau, calling for more investment in airport facilities and air traffic control, as well as a re-allocation of military and civilian airspace, summed up the problem facing many European airlines:

"For Lufthansa to deny itself growth and allow others to occupy the gaps it leaves, would not be a solution."

Religious calm falls on Irish waters

By Kieran Cooke in Dublin

THE CHURCH, it seems, is still the final arbiter in much of Irish politics. For five months the Irish Government and the nation's redoubtable anglers have been enmeshed in an increasingly bitter row about the introduction of fishing licence fees.

When all else fails, call a priest. Dr Joseph Cassidy, Roman Catholic Archbishop of Tuam, has stepped in to still the waters, bringing peace once again to Ireland's lakes and rivers.

It has been a nasty battle. At the beginning of the year the Government announced that it was time Ireland's anglers started paying for their pleasures and imposed a modest I£15 (£12.70) fee for most freshwater fishing.

The "Rod War" erupted. Fishermen, saying their forefathers had fought the old British colonialists for free fishing rights, refused to pay the fees. Signs were erected along the lakes and rivers: "Licensed Anglers not Welcome Here".

There were threats and intimidation against those who tried to fish. Boatmen who broke the boycott had their boats sawn in half. A party of German anglers who brought licences and went fishing had their car tyres slashed. A group of French anglers who did not buy licences had their rods confiscated by water bailiffs.

Hotels and guesthouses normally awash with the angling fraternity have been empty. Foreign anglers contribute more than I£45m in revenue each year. The angling season is now at its peak and much of that money will have been lost. Ireland's image as the land of "100,000 welcomes" has been badly tarnished.

The deadlock, however, now appears to have been broken by the intervention of the Church. Archbishop Cassidy had a private meeting with Mr Charles Haughey, the Irish Prime Minister. The fishermen have now agreed to resume their activities.

But there is still plenty of confusion. The Government says the licence fee must stay. The fishermen still say it must go. "We're not against the law, only against it being enforced," said one anti-rod campaigner. More divine intervention might still be needed to sort the whole problem out.

Spanish rate of inflation falls to 3.9% a year

By Peter Bruce in Madrid

TO THE great relief of the Spanish Government, the rate of inflation in Spain last month fell a sharp 0.3 percentage points – its steepest monthly drop in seven years – bringing overall price rises so far this year to 1.3 per cent or 3.9 per cent a year.

The size of the fall generated some sceptical comment from economists here about how Madrid calculates inflation, but the chief government spokesman, Mr Javier Solana, called it "excellent news". This was the first time the annualised rate had fallen below 4 per cent this year and it showed the Government's 3 per cent target for the year was within reach.

Higher-than-expected inflation and high real interest rates have been dampening the general economic euphoria in Spain for the last few mouths, not least because both have conspired to strengthen the peseta against its main trading partner currencies.

A largely theatrical cut in base rates by Spanish banks – under pressure from the Bank of Spain – last week to around 13.5 per cent from 17 per cent helped the peseta weaken against the US dollar but it has remained doggedly strong against the D-mark. Most Spanish economists now regard the West German currency as Spain's benchmark. The inflation news yesterday failed to move the peseta down against the mark, though some experts were predicting a fall from around Pta 68.17 to Pta 68.30 in the next few days.

The fall in the consumer price index in April will, however, take some pressure off the Bank of Spain for the time being. And if, after their sharp rise in April, the May money supply figures also fall back, the Government will have been more than justified in holding its nerve and not forcing any serious monetary adjustments so far.

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EUROPEAN NEWS

Marseilles prepares to fight off Le Pen takeover bid

Paul Betts reports on politics in a city where the National Front has made its spiritual home

• Jean-Marie Le Pen: his decision to seek a seat in elections in the Marseilles region has alarmed the city

CONVERSATIONS have been even more animated than usual on the Vieux Port this week. The old harbour of Marseilles, always high in colour with its town hall, its noisy fishmarket, its restaurants and cafes, has once again become the stage of a political battle which is likely to dominate the French general elections.

"You could say we are the target of a hostile takeover bid," remarked a town hall official, echoing the headlines of all the local newspapers. "The National Front launches an OPA (*offre publique d'achat* — a takeover) on Marseilles," said the Provencal, one of the city's three dailies.

"We are going to need Zorro," added Jeanne Laffitte, a local publisher, in the Cafe New York, a favourite meeting place of the Marseilles left-wing intelligentsia on the old harbour.

Ever since Mr Jean Marie Le Pen, the leader of the National Front, and two of his principal lieutenants decided this week to seek seats in the National Assembly elections in the Marseilles region, the city has been up in arms. "It was not altogether surprising that Le Pen picked Marseilles," said Mr Philippe Sanmarco in his office in the town hall. "It is undoubtedly a hostile takeover, but hostile takeovers are not always successful."

Mr Sanmarco, a product of the elite Ecole Nationale d'Administration, the school that has groomed generations of top French politicians and civil servants, is at 41 one of the leading figures of the Socialist Party in Marseilles. For the past seven years he has been the incumbent of the third parliamentary constituency of Marseilles, which includes the old port, the Cannebiere, the famous avenue which bisects the city, and one of the heaviest concentrations of Arab immigrants.

In this constituency with all its political, historical and social symbols — it was the seat of Mr Gaston Defferre, the Socialist mayor of Marseilles who died two years ago after ruling the city for several decades — Mr Le Pen scored 28.9 per cent in the first round of the presidential election.

He was widely expected to pick this constituency to fight the legislative elections. But on Wednesday he chose the eighth constituency, in the popular northern part of the city, where he also scored 29 per cent in the presidential election and where he believes he stands better chances to win next month.

"Mr Le Pen clearly sees the legislative elections as a first step towards trying to take over the town hall of Marseilles in the municipal elections next year," warned Mr Sanmarco.

Like other Socialists and many moderate voters of Marseilles, Mr Sanmarco believes that if Mr Le Pen is elected it would be, in his words, "a disaster" for the city. "Our credibility would be shattered and all the efforts we have made to modernise and restructure the city and its complex economic and social tissue would be seriously compromised," said Mr Sanmarco, who has been one of the city's principal economic architects during the last few years.

Marseilles and the Bouches-du-Rhone have become in four short years the principal bastion of the National Front's popular support in France. The large population of Arab immigrants, heavy unemployment, poverty and the crisis of the region's traditional industries, frustration and anger against the traditional political parties, have all provided fertile ground for Mr Le Pen.

"The collapse of the local Communist Party has provided him with even more votes and here, as in other parts of France, the National Front has become a receptacle for the protest vote.

After coming well ahead of the traditional right in Marseilles and many other parts of the Midi, it was inevitable that Mr Le Pen and his main acolytes would seek to run for parliamentary seats in Marseilles. In many constituencies, Mr Le Pen scored 30 per cent in the first round of the presidential election a few weeks ago.

In the south, the National Front has also penetrated regional councils in local alliances with the traditional right wing parties openly disapproved by the Paris headquarters but viewed as a fact of life in the Midi.

The National Front has become relatively respectable in the Midi. "Many people don't regard the National Front as an extrema party down here, but as being on the far right. They tend to think of it as an overexcited child, but one who is still part of a family," said Mr Sanmarco.

Even though Mr Jacques Chirac's right-wing RPR party and the centrist UDF coalition again this week rejected any official political alliance with the National Front, many people in Marseilles believe that behind-the-curtain deals are bound to be struck.

Under the current majority voting system, the National Front threatens to cause havoc for the traditional right to the south if it decides to field candidates in second-round run-offs against another right-wing candidate. In the majority of cases, the National Front is in a stronger electoral position in the Midi than the mainstream right.

In turn, the previous local alliances between the National Front and the right in the Bouches-du-Rhone region, in the perfume town of Grasse, and in Languedoc-Roussillon have made it all the more difficult for local Socialist candidates to accept an opening to the centre.

The Socialists in Marseilles are none the less hoping that they will manage to attract centrist and moderate voters in a republican front to keep the National Front out. For years that had been the tactic of the late Gaston Defferre, who held on to the Marseilles town hall by becoming the leader of a republican front against the Communists.

However, when the Socialists in 1981 included Communists in the Government, Mr Defferre was also forced to open up his local power structure in Marseilles to the Communists and he was nearly defeated in subsequent municipal elections.

The Socialists themselves are bedevilled by internal rivalries in Marseilles, where local leaders are still battling for the succession two years after Mr Defferre's death. To make matters more difficult, Mr Robert Vigouroux, the Socialist mayor of the city appointed as a compromise candidate after Mr Defferre's death, has now decided he too wants to have a crack in National Assembly elections against Mr Le Pen although he was not on the official list of Socialist candidates for Marseilles.

"But everybody will want to be in the battle," remarked a local journalist. "In Marseilles the National Front has 30 per cent and the rest of the right has another 30 per cent. The question is whether 30 plus 30 makes 60."

Socialists forecast to win a majority

BY IAN DAVIDSON IN PARIS

THE FRENCH Socialist Party looks set to win an absolute majority of seats in France's forthcoming general election, according to an opinion poll to the Nouvel Observateur newspaper.

But the extreme right-wing National Front, which rocked the established political parties in the first round of the recent presidential elections with a vote of more than 14 per cent for Mr Jean-Marie Le Pen, is expected to see a sharp drop to 10.5 per cent in the general election.

The poll gives the Socialist Party 40 per cent of voting intentions, compared with 37.5 per cent for the combined score of the traditional centre-right and right-wing parties.

It implies that the National Front will be in a significantly weaker position to brandish the threat of spoiling tactics against candidates of the traditional RPR and UDF parties.

Mr Le Pen has demanded an electoral alliance with these parties against the Socialists; in the absence of such an alliance, he has threatened to keep National Front candidates in the second round of voting, even if this splits the centre aod right-wing vote and lets the Socialist through to victory.

This threat could only hold good where a National Front candidate had scored more than 12.5 per cent of the total constituency electorate in the first round of voting.

If the national average of the National Front share of votes cast falls to 10.5 per cent, the number of constituencies where it meets the 12.5 per cent criterion may be significantly reduced.

If confirmed, this poll may appear to reinforce the role of former President Valery Giscard d'Estaing at the expense of former Prime Minister Raymond Barre.

Mr Giscard d'Estaing has played a leading role in reforging an electoral pact between his centre-right UDF group and the neo-Gaullist RPR, in "constructive opposition" to President François Mitterrand; whereas Mr Barre has ostentatiously refused to rule out co-operation with the Socialist President.

However, the vulnerability of the centrists in the election, and the right-ward drift of the RPR which started during the presidential election, will probably conspire sooner or later to split the UDF into several parts.

Tide of opposition to Kadar swells

BY LESLIE COLITT IN BUDAPEST

MR JANOS KADAR, Hungary's leader since the 1956 uprising, faces a tough challenge at a Communist party national conference which opens today in Budapest, where he will face a party increasingly disenchanted with his leadership.

Growing opposition within the party to the 75-year-old Mr Kadar's policy of gradual and cautious economic and political reforms has created a sombre mood for this first party conference in 31 years. It presages the Soviet Union's own party conference next month.

Kadar: reluctant to hand over the leadership

Mr Kadar's weakened authority has been further undermined by severe economic setbacks. Most Hungarians have been hit hard by inflation and a stringent austerity programme. At the same time, the nation has piled up $17.7bn (£9.5bn) in foreign debts.

The reluctance of Mr Kadar to relinquish power has divided the party deeply at the very moment when it is confronted with the new phenomenon of mushrooming independent political organisations. Some of them are challenging the party's domination of key institutions, such as the trade unions and the youth movement.

The tide of opposition is rising despite, or perhaps because of, the fact that Hungarians enjoy greater economic and political freedom than most other East Europeans.

A random survey of passers-by in Budapest's Rakoczi Street yesterday revealed the extent to which ordinary Hungarians feel depressed about their own future and that of the nation.

An unskilled worker said: "This party can do nothing about poverty, taxes and our debts." He said Mr Kadar was "too old" and should have stepped down long ago.

Another man agreed, but said many Hungarians still "respected" Mr Kadar for his political achievements. However, Hungary with its debts was slowly "getting into the situation of Poland." A young agricultural engineer said the population was in a "terrible mood" because of economic hardships. Official estimates spoke of one-fifth of the population existing below the poverty level.

The "democratic opposition" has taken advantage of the Communist Party's predicament by issuing new demands for sweeping political change on the eve of the party conference.

A news briefing by the newly-formed Network of Free Initiatives was held yesterday in a Budapest coffee shop before the party was able to present its views to journalists.

Network, which is co-ordinating the activities of independent groups, said the "crisis of state socialism" allowed for a new beginning. A statement sent to the Communist leadership demanded a new constitution guaranteeing civil and political rights, a greatly strengthened Parliament, the right to take "joint political stands," freedom of the press, and the right to establish independent trade unions. It also said the party could no longer remain "above the law."

In another calculated affront to the party leadership, Hungary's one-week-old independent trade union for scientific and research workers, TDDSZ, held its first board meeting on Wednesday in a Budapest University hall. A presiding body was elected and the recruitment of new members was discussed with the aim of donbling membership from the almost 1,000 at present.

During the meeting the authorities dropped a bombshell by announcing that a new union of scientific and research workers had been set up within the official trade union, SZOT. Most of the independent unionists were convinced the Government would not tolerate them for much longer.

Independent organisations hava blossomed in recent months, partly in response to the party's own call for a radical democratisation of Hungarian political life and partly to take advantage of the party's own internal paralysis.

Another shadow cast over Ozal's visit to Greece

BY ANDRIANA IERODIACONOU IN ATHENS

THE PLANNED visit to Athens next month by Mr Turgut Ozal, Turkey's Prime Minister, should not take place unless Turkey is willing to state that it respects Greece's borders and national sovereignty, the Greek Communist opposition said yesterday.

The Communist statement dashed the hopes of Mr Andreas Papandreou, Greece's Socialist Prime Minister, of obtaining unconditional endorsement for the visit from at least the left-wing opposition parties. There is little hope of that on the right, where opposition leaders have strongly criticised the Prime Minister's handling of the Greek-Turkish rapprochement launched during a meeting with Mr Ozal in Switzerland last January.

Uncertainty over Mr Ozal's visit was reinforced this week by diametrically opposed Greek and Turkish statements regarding the agenda.

The Turkish Foreign Ministry spoke strongly against any discussion of the problem of Cyprus. The Greek Government on the other hand insisted that the presence of Turkish troops in Cyprus should be a key item on the agenda.

Turkey invaded and occupied the northern part of the island in response to a Greek military coup in 1974. The resulting Greek-Turkish tensions have since been further complicated by disputes over sea and air space rights and the militarisation of islands in the Aegean.

AMERICAN NEWS

Bush fights shy of Panama policy

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

VICE-President George Bush, the probable Republican presidential nominee, has begun to distance himself from the Reagan Administration's policy of trying to persuade Panamanian strongman General Manuel Noriega from power.

Mr Bush said in Los Angeles that if elected president he would not "bargain with drug dealers . . . whether they are on US or foreign soil".

His comment came as polls showed voters are sceptical about the Reagan Administration's efforts to curb the flow of drugs into the country. There is also mounting criticism of the Administration's negotiations with General Noriega, which are reported to include dropping drug-trafficking charges brought against him in Florida.

Yesterday, in a statement which served to underscore Mr Bush's differences with Administration policy, Mr Marlin Fitzwater, the White House spokesman, said: "The Vice-President has his view point on this issue and it is fine with us."

Mr Bush's remark, while leaving his comments open to the interpretation that he does not approve of Administration efforts to persuade Gen Noriega to step down, did not explicitly mention the Panamanian situation. He is therefore not putting himself clearly on the record in opposing a decision to drop the drugs charges, a position which might make it harder for the Administration to secure Gen Noriega's departure.

Neither did he indicate whether he opposed the plan in the deliberations which led up to the decision. It has been widely reported that Attorney General Edwin Meese has vigorously opposed the idea.

Mr Fitzwater said yesterday that as he understood the Vice-President's statement, he was discussing the situation "in terms of what he would do if he were president, what he would do in the future . . . we expect many of his ideas for future activities to be different from what we have been doing here in the past."

Both Mr Bush and the Republican Party are concerned by polling data which show that the Democratic Party is perceived to be better able to tackle the drug issue which Americans are now identifying as the nation's biggest problem.

The Democrats are seeking to exploit this. Gov Michael Dukakis, the likely Democratic nominee for President, is arguing that the decision to consider dropping drug charges against Gen Noriega is evidence of a lack of commitment to tackling the drug menace.

Congressman warns on US budget deficit

By Andrew Marshall in London

INTEREST rates will rise and economic growth fall if the next US Administration and Congress do not address the US budget problem through tax increases and spending cuts, a senior congressman warned yesterday.

Speaking on a Worldnet televised interview, William H Gray, chairman of the House Budget Committee, said: "The most pressing issue we face is debt reduction."

Under President Reagan, the federal Government has run large deficits and the US has built up large external debts. If that indebtedness continues to rise, then lenders will demand higher interest rates, Mr Gray said, and US borrowers – including the federal Government – will pay more for their loans.

Mr Gray listed measures he considers necessary to reduce the deficit. He argued for continued restraint on defence spending, which has begun under Mr Reagan, and further cuts in other government spending. More controversially, he suggested reform of social security and welfare payments, and that further revenue raising – involving either higher indirect or direct taxes – will almost certainly be needed.

Previous attempts to reduce the deficit have foundered on the inability of the two branches of US government to work together, but some fiscal austerity is now almost unavoidable, Mr Gray said, whoever becomes president. "I suspect either Mr Bush or Mr Dukakis [the likely candidates] will do something in the revenue restoration area."

Haiti fears plunge back to chaos as nights of violence return

President Manigat has many foes and few friends, says Michael Tarr in Port au Prince

A RESURGENCE of shootings in Haiti by suspected supporters of the ousted Duvalier dictatorship has dimmed hopes that two years of turmoil came to an end with the installation of a civilian government last February.

As President Leslie Manigat this week completes his first 100 days in office, his centre-right administration is beset by problems. After acquiescing in Mr Manigat's army-backed election victory in January, the Duvalierists are said to be irked by their exclusion from his Cabinet and worried that they could be outmanoeuvred.

Gunmen have shot dead some 30 people in a month-old spree of night-time robberies and random attacks. Haitians liken the shootings to the early stages of last year's wave of Duvalierist terror, which culminated in a polling-day massacre of 34 people and aborted Haiti's first free elections in 30 years on November 29.

None of the gunmen has been identified, but the popular assumption is that most of them are off-duty soldiers or members of the Tontons Macoutes, the feared Duvalier militia disbanded two years ago. "Who else has automatic arms and limitless supplies of ammunition?" said businessman Richard Baker, an aide to Louis Dejoie Jnr, a centrist opposition leader.

The 57-year-old President accuses the press of playing up the violence to destabilise his Government but he concedes that part of it is politically motivated. Some observers think the aim is just to dissuade Mr Manigat from attempting anything more than cosmetic reforms, but others suspect the goal is to pave the way for his outright removal.

"This is fascist terror . . . an attempt to instil fear and make people ready to accept a return to authoritarian government," said Serges Gilles, a leader of the left-of-centre National Front for Concerted Action.

The mainstream opposition groups, which boycotted the January 17 elections, saying they were being rigged by the military, show no sign of rallying to Mr Manigat's support.

He is also coming under increasing attack in the new two-chamber parliament from Duvalierists who ran as independents in January. A parliamentarian says 45 deputies in the 77-seat lower house and 20 senators in the 27-seat upper house are now voting as a bloc at the apparent bidding of General Regala, who oversaw the January elections as Interior Minister in the previous provisional government.

Some deputies are privately calling for Gen Regala to replace ageing lawyer Martial Celestin, Mr Manigat's choice as Prime Minister, arguing that his control of both army and Parliament would give Haiti the strong government it needs. Meanwhile they are forcing Mr Manigat to make many changes to the string of draft "organic laws" he has promoted to regulate the responsibilities of each ministry.

The constraints on Mr Manigat's room for manoeuvre are compounded by the continuing suspension of $78m in US aid, cut to protest at the November 29 bloodbath. An influential core of US congressmen view him as a puppet of the military, and any resumption of aid has been pegged to moves to introduce democratic reforms.

The US's main condition for renewing aid is widely assumed to be the dismissal of Col Jean-Claude Paul, an army officer who was indicted in March by a Miami grand jury on drug-trafficking charges.

But it is believed in Haiti that Col Paul, the commander of the army's largest and best trained unit, has secured Mr Manigat's promise of immunity in exchange for a pledge to protect the President against any move by Gen Regala.

Mr Manigat claims his government is still at the stage of "putting the house in order and installing the political structures" after 29 years of dictatorship. But government inaction, especially the absence of measures to reduce unemployment or combat the worst poverty of any nation in the Western hemisphere, has reinforced the indifference of slum dwellers and peasants.

Pope's visit provides rare chance of protest

By Robert Graham

THE opposition to Paraguay is bracing itself against a crackdown in the wake of the visit by Pope John Paul. The Pope's visit, which ended on Wednesday, permitted the opposition to stage a brief series of highly publicised protests against the military-backed regime of President Alfredo Stroessner.

President Stroessner was obliged to lift restrictions on opposition activity during the visit after the Pope had on more than one occasion threatened to cancel his trip. As a result Paraguayans had a rare chance to demonstrate in favour of democracy.

The official newspaper, Patria, has been quick to accuse the Church establishment in Paraguay of politicising the Pope's presence, in particular his meeting with a group of opposition leaders. Even before the Pope had left Asuncion four peasant leaders, active in protests over Indian land and development, who had staged a hunger strike, were arrested.

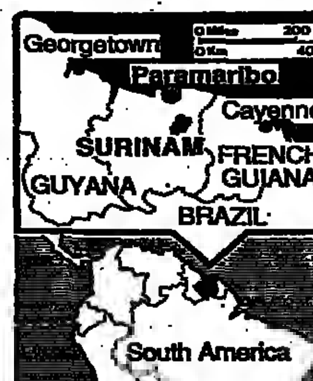
Paraguay was the one Catholic country in the continent not previously visited by the Pope. He had held back for fear that the 75-year-old dictator might exploit his presence to give a mantle of respectability to a regime which has consistently abused human rights throughout its 33 years. In the end the Pope went, seeking to tread a fine line between pastoral mission and championing human rights.

He declined to be drawn too directly into a battle to press for a quick end to the dictatorship, which radical opposition elements would like.

Opposition politicians were careful not to criticise the Pope on the grounds that the large anti-regime crowds allowed President Stroessner and his supporters to see the strength of public feeling. But there is a feeling that expectations of change have been aroused that cannot be fulfilled, President Stroessner shows no intention of leaving before his mandate ends in 1993. The opposition, though more united after the Pope's visit, lacks muscle and international pressure on President Stroessner has never been sustained.

Surinam plays a waiting game for Dutch aid

BY LAURA RAUN IN AMSTERDAM



THE Netherlands has agreed to resume its foreign aid to Surinam, a former colony, but now the pressure is on to agree how much and how quickly the money will flow.

Both sides realise they need to reach an agreement when they meet again in July in Paramaribo, capital of the tiny country on the north-eastern coast of South America. Neither wants to jeopardise the fledgling democracy that has followed seven years of bloody military rule under Lieutenant Colonel Desi Bouterse.

The question is whether they can bridge their differences soon enough on the massive Fl 1.6bn ($847m), 15-year package that began in 1975 and was abruptly cut off in 1982. What both sides wish to avoid is the creation of bitter feelings and a potential swell of public protest in the impoverished country.

Mr Piet Bukman, Dutch Minister of Development Aid, and civilian Surinamese leaders last week failed to agree on an emergency injection to revive Surinam.

The Hague offered a modest Fl 30m ($16m), which Paramaribo summarily rejected, demanding a hefty Surinamese Guilders 500m ($281m).

With much of South America swinging toward democracy it is all the more important that Surinam keep to the path charted by its new constitution and free elections last autumn.

The military's constitutional limits have yet to be fully defined and the worry is that "commander" Bouterse could whip up popular protest if the economic crisis continues.

For the moment, though, the Dutch are sticking to their terms and putting aside any qualms of colonial guilt. Mr Bukman explained to business-like fashion that the aid over the next eight years must be soundly framed by economic reforms as advised by the World Bank and by sensible project priorities.

International institutions such as the World Bank and other countries also should help Surinam, say the Dutch, something like the Inter-Governmental Group on Indonesia (Iggi) – another one of the Netherlands' former colonies. An umbrella group like Iggi would inspire confidence in Surinam and help draw fresh foreign investment, Mr Bukman argued.

The Dutch already have won their demand that democracy be restored and so the bilateral aid treaty was officially renewed on May 3. Now the haggling is over when and how the money will be spent.

Mr Ramsewak Shankar, Surinam's new president, and other government leaders publicly insisted last week that time was of the essence but privately conceded that they needed to do more homework.

They are working on a medium-term plan for Surinam's economy, which has been shattered by two years of guerrilla warfare against commander Bouterse and the collapse of the crucial bauxite industry.

Royal Dutch/Shell's Billiton subsidiary and Alcoa Aluminum of the US both have sizeable bauxite mining and aluminium smelting operations in Surinam. Until recent years the industry was the biggest foreign-exchange earner but depressed aluminium prices and military clashes have sharply curbed operations.

Surinamese cabinet ministers told the Dutch delegation that food, medicine and machinery were urgently needed to breathe fresh life into the sick economy. The Hague has continued to provide humanitarian aid, to what was formerly Dutch Guyana even though development aid was halted.

Dutch economists say the most pressing problem is Surinam's gaping government-budget deficit, which is between 25 per cent and 30 per cent of gross national product (GNP). Inflation is believed to be running way above the official level of 50 per cent and unemployment is assumed to be much worse than the official rate of 34 per cent.

Foreign debt amounts to 19 per cent of GNP and debt service absorbs 6 per cent of export earnings, a manageable level compared to many debtor countries. The balance of payments deficit is a relatively modest $45m.

While no one would deny that the economy is in tatters, Surinam is relatively comfortable by Third World standards. Its GNP per capita is $2,500, which is more than Portugal and most South American countries.

Until independence in 1975, Surinam prospered under Dutch rule and afterward from Dutch largesse. About Fl 3.5bn in development aid was promised at the time of independence but was abruptly cut off in 1982 after 15 of Lt Col Bouterse's opponents were murdered.

The bearded and beret-clad commander seized power in a coup in 1980 and imposed harsh military rule and press censorship. Several attempts were made on his life and in 1986 one of his bodyguards, private Ronny Brunswijk, led a guerrilla revolt against his former boss, capturing much of the eastern part of the country.

At least 500 people have died in the military fighting and alleged civilian massacres by Lt Col Bouterse's army regulars. Last year The Hague recalled its ambassador and a new one returned only in March this year.

The small population of 400,000 is an exotic mix of East Indians, Caribbean Creoles, Chinese, Javanese and the descendants of African slaves. Another 200,000 Surinamers live in the Netherlands, most of them having fled at the time of independence.

About 5,000 of them, who have been temporarily considered political refugees, are losing that status now that a truce has been called in the Brunswijk revolt. If they fail to get legal alien status, they will be deported.

Critical questions for the future are whether democracy can be maintained, whether other countries and institutions will join the foreign aid bandwagon and whether the big aluminium companies will make fresh investments. The civilian government appears to have a firm foundation in its many politicians and political parties who held power before the coup. The wild card is commander Bouterse himself.

WORLD TRADE NEWS

Taiwanese plan Philippines plastics venture

BY BOB KING IN TAIPEI

TWO major Taiwanese petrochemical producers plan a $220m (£122m) joint venture with the Philippines National Oil Company to manufacture two important plastics - if and when the Philippine Parliament lifts a heavy excise tax on a key feedstock.

The venture represents the largest equity investment for the Philippines in a decade, other than the controversial nuclear power plant in Luzon, which the Government still refuses to put into service, one of the participants said.

The project could also herald the beginning of a heightened Taiwanese presence in the country after years of concern over political and economic stability there.

USI Far East and China General Plastics, both of which rank among the top petrochemical concerns in Taiwan, have already received approval from the Philippines Government for the project, which will turn out 120,000 tonnes of polyethylene and 100,000 tonnes of polypropylene a year.

Of the $220m investment, the USI Group will hold a 54 per cent share, China General another 36 per cent, and the Philippine National Oil Company the remaining 10 per cent.

The combine obtained a waiver from government rules that normally restrict foreign participation in joint ventures to 40 per cent, because petrochemicals are considered an important industry for the Philippines' economic growth.

The new company, to be called the Bataan Petrochemical Corp, will have $100m in direct equity.

The Taiwanese partners are to raise the remaining $120m from "outside sources" which could include commercial banks or even tha Asian Development Bank, according to Mr Thomas Hsi, USI's president. The group has engaged Jardine Fleming as financial adviser.

The facility will include a naphtha cracker with a capacity of 200,000 tonnes of ethylene and 100,000 tonnes of propylene annually, as well as related plant and equipment.

About 30 per cent of the output will be exported during the first few years of operation, due to commence in the first quarter of 1992, after which the company will rely more on domestic sales as an expected recovery of the Philippine economy occurs.

Mr Hsi said the company has begun collecting information from various manufacturers and engineering groups on equipment and design of the new plant.

Bnt be emphasised that no commitments will be made until the government fulfils its promise to lift a $170-per-tonne excise tax on naphtha, a major feedstock.

Moscow studies plans to alter joint venture laws

MOSCOW is studying plans to change laws on joint ventures with Western companies, according to a leading Soviet economist, Reuter reports from Osaka.

Mr Yevgeny Primakov, director of the Institute of World Economy and International Relations at the Soviet Academy of Science, told a meeting in Osaka that Moscow was studying proposals put forward by foreign companies.

Mr Primakov, who is influential in the Kremlin, is heading Moscow's delegation to a meeting of the Pacific Economic Co-operation Conference in Osaka.

While fears that Moscow could nationalise foreign companies' interests in joint ventures had dissipated, there was still concern about laws introduced in early 1987.

Japanese investors in particular were worried about rules limiting their stake in joint ventures to 49 per cent, Mr Primakov said.

In some cases, where products replace imports, the foreign companies can receive some renumeration in foreign currencies from the state. But more far-reaching reforms in this area may have to await rouble convertibility, Mr Primakov said.

US steel industry in drive to renew curbs

By Nancy Dunne in Washington

THE US steel industry is campaigning for renewal of the current five-year programme of voluntary restraints more than a year before the protection is due to expire to September, 1989.

At a meeting to Washington this week of the American Iron and Steel Institute, the industry's trade group, Mr Thomas Graham, its chairman, warned that US steel producers were prepared to file huge trade suits against foreign competitors if the quotas were not extended.

"Let there be no doubt that the American steel industry, so hard at work to make itself internationally competitive, will not stand idly by and watch that work undone by a repeat of the import abuses which threw our companies into a five-year bath of red ink," he said.

In 1984, the Reagan Administration negotiated quotas with 31 countries which limited imports last year to about 16.5 per cent. Although shipments grew from the 40 countries not covered by the "voluntary restraints", the American industry has undergone a painful restructuring.

Prices are up and profitability has returned. The Steel Institute says the current programme has been successful, having brought imports down from 30 per cent to 1984 to 21 per cent last year.

However, producers say this would end if the voluntary restraint agreemants were allowed to lapse, and they were forced to compete against subsidised foreign competition.

"We do not want protection from efficient competition," Mr Graham said. "We need and expect only a climate of fair trade and legal trading practices."

Over the past three decades, the US steel industry has sought more relief through the US trade laws than any other industry. In the 1960s, it filed more than 300 anti-dumping cases. In the 1980s, it filed nearly 100 dumping and subsidy cases, primarily against EC producers.

Mr Graham said that if the US Government did not grant an extension of tha quotas, the industry was prepared to flood the International Trade Commission with cases "in numbers which will make what came before seem trivial."

EC ready to speed textile talks

BY WILLIAM DULLFORCE IN GENEVA

THE EUROPEAN Community yesterday signalled its readiness to speed up negotiations on the liberalisation of trade to textiles.

In a separate move it also tabled its ideas on bow Gatt could set about removing the trade-distorting affects of national rules governing foreign investment.

The EC is the first of the major importers to submit proposals to the group negotiating the return to Gatt rules of the $130bn-a-year trade to textiles and clothing.

This trade is currently governed by the Multi-Fibre Arrangement, originally put in place in 1974 to give the textile industries of the developed world a breathing space to adjust to competition from Third World producers.

The Community proposal is couched in general terms and stuffed with reservations but, according to Tran Van Thinh, head of the EC delegation to Gatt, its message is: "Let's negotiate now on the procedures of a return to Gatt rules."

However, he added, talks had to be conducted on a basis of reality, not dogma. Reconciliation with Gatt had to be effected progressively and in a way that would help to remedy the real difficulties persisting in the Community's textiles and clothing industries, the EC paper says.

Dismantling of the MFA is implicitly made conditional on concessions from other participants. Progress had to be achieved to other Gatt negotiating groups, among them those studying subsidies, dumping, "infant industry" exceptions and intellectual property.

Protection of designs and models against counterfeiters, for instance, is of vital importance for clothing manufacturers in the advanced countries.

A finger is pointed at newly industrialised countries such as South Korea. Exporting countries must open their markets, according to their level of development, the EC says. It also calls for further study of the compatibility of production capacity with consumption.

Tran Van Thinh

In the other paper submitted yesterday, the Community lists 13 measures commonly applied by governments to foreign investments. It singles out eight as directly restricting trade and suggests they be subjected to Gatt disciplines. They are:

- local content requirements under which a fixed part of output must be either of local origin or bought locally;
- manufacturing requirements obliging companies to make locally components or whole products;
- export performance requirements specifying that a given share of goods produced must be exported;
- product mandating, obliging an investor to assign to an affiliated company exclusive export rights to products;
- trade balancing, requiring a company to export an amount equivalent to a certain ratio of imports;
- exchange restrictions limiting an investor's access to foreign currency and thereby his capacity to import products or components;
- domestic sales requirements stipulating that a given part of output be sold on the market of the host country;
- manufacturing limitations on the components of the final product.

David Fishlock on a proposed exchange of marine N-technology

R-R waits as Canada ponders nuclear deal

BRITISH and Canadian companies last week were negotiating an agreement to Ottawa for the transfer of marine nuclear propulsion technology from Britain.

This protocol will prepare the way for the smooth transfer of nuclear technology under international safeguards into a new Canadian organisation, should Canada choose Britain as its source of nuclear submarines.

The Canadian Government is expected shortly to choose between the Trafalgar-class technology offered by Britain and the Rubris-class technology offered by France.

Should Britain win, two factors will he paramount – as they were when Britain received naval reactor technology from the US in 1959. One is the question of nuclear proliferation.

Canada, although a nuclear nation and a signatory to the nuclear Non-Proliferation Treaty, will require highly enriched uranium to fuel its submarine reactors. The transfer of nuclear technology will therefore be covered by a bilateral NPT agreement between the two governments, endorsed by the International Atomic Energy Agency in Vienna.

The second factor will he to ensure that Canada can handle the technology with the high level of competence Britain believes is crucial if the reactors are to perform safely and reliably over their 20-25 year life.

In Britain, this is the responsibility of Rolls-Royce and Associates, as custodian of the Royal Navy's nuclear technology.

If Rolls-Royce is not satisfied with Canadian provisions for technology transfer and project management, there can be no deal, Mr David Dawson, managing director, says firmly.

The late Admiral Hyman Rickover, founder of the US nuclear navy, took exactly the same attitude towards Britain when the US Government undertook to transfer nuclear technology to Britain. The doughty sailor insisted that Rolls-Royce and no-one else must take charge and the Admiralty agreed.

Shareholdings to Rolls-Royce have changed several times since 1959 but the company has always been firmly in control. Today it is a partnership between Rolls-Royce as majority shareholder and Babcock Energy, part of FKI Babcock.

Mr Dawson and fellow directors have worked hard to explain their nuclear philosophy to the Canadians, who initially underestimated the complexity of nuclear-powered submarines. Its essence is the lifetime commitment to the safety and performance of a very demanding engine and the self-discipline needed to guarantee that it will never let you down deep beneath the polar ice, nor present a nuclear hazard.

Mr Dawson and fellow directors have worked hard to explain their nuclear philosophy to the Canadians

At first the Canadians believed Rolls-Royce was simply talking up the price and the role it saw for itself. Six months or so later the Britons – including Mr John Burgess, former rear-admiral to charge of the Navy's nuclear dockyard at Rosyth and now director responsible for the Canadian project – believe they have got the message across that a nuclear navy imposes a specially rigorous kind of discipline.

They stress that this was necessary even for a nation even as well-versed in nuclear energy as Canada.

If Britain wins the Canadian contract, the idea is that the Canadian organisation would procure and supply a complete nuclear propulsion system – in effect, the contents of the back end of the boat right through to the propeller. This adds up to 15-20 per cent of total cost.

Canada wants at least 65 per cent of its planned programme of 10 submarines to be built in Canada, but there is a general assumption that at least one would be built abroad while it is organising its own infrastructure. It has also indicated that it expects to import the reactor cores complete.

In Mr Burgess's perspective, as a former nuclear submariner, it is a powerful point in Rolls-Royce's favour to be able to state that it will stand right behind the Canadian programme. Present plans are to work through the new Canadian company, which will include a shareholding by the Rolls-Royce subsidiary, Rolls-Royce Industries Canada, which is already involved in Canadian nuclear technology.

Rolls-Royce and Vickers Shipbuilding and Engineering will both second senior staff to the new company to expedite transfer of Britain's technology.

Rolls-Royce loses US helicopter engine order

By Lynton McLain

ROLLS-ROYCE Turbomeca, of the UK, has lost a multi-million dollar US order for gas turbine helicopter engines.

The order for 1,150 engines to power the Sikorsky Black Hawk and Sea Hawk military helicopters for the US armed services went to General Electric, the US aero-engine manufacturer.

Rolls-Royce Turbomeca is also competing against General Electric for a UK helicopter engine order, to power Royal Navy and Royal Air Force EH101 helicopters.

The decision on which engine is to power the EH101 order is to be made by the UK Ministry of Defence next month.

General Electric is using the contest as its first attempt to sell engines to the ministry to place of Rolls-Royce, which traditionally supplies the engines.

Rolls-Royce said yesterday the US contract was an extremely difficult one to win, but it was nevertheless disappointed.

The RTM322 engine the company bid with for the US order is more powerful than the General Electric T700 engine offered by the US company.

RR believes the EH101 requirement is for a more powerful engine than was needed for the Black Hawk and Sea Hawk helicopters.

Sarney set to liberalise trade

By Ivo Dawnay in Rio de Janeiro

PRESIDENT JOSE SARNEY of Brazil was yesterday due to announce wide-ranging measures aimed at ending the country's 40-year-old import substitution policy and liberalising its trade regime.

A new decree on industrial policy is intended to reduce bureaucracy by simplifying tariff structures, eliminating discretionary exemptions, and easing the issue of import and export licences.

Brazil's powerful state governors have broadly endorsed the new policy, but some business sectors thought vulnerable to foreign competition have expressed anxiety about the plan.

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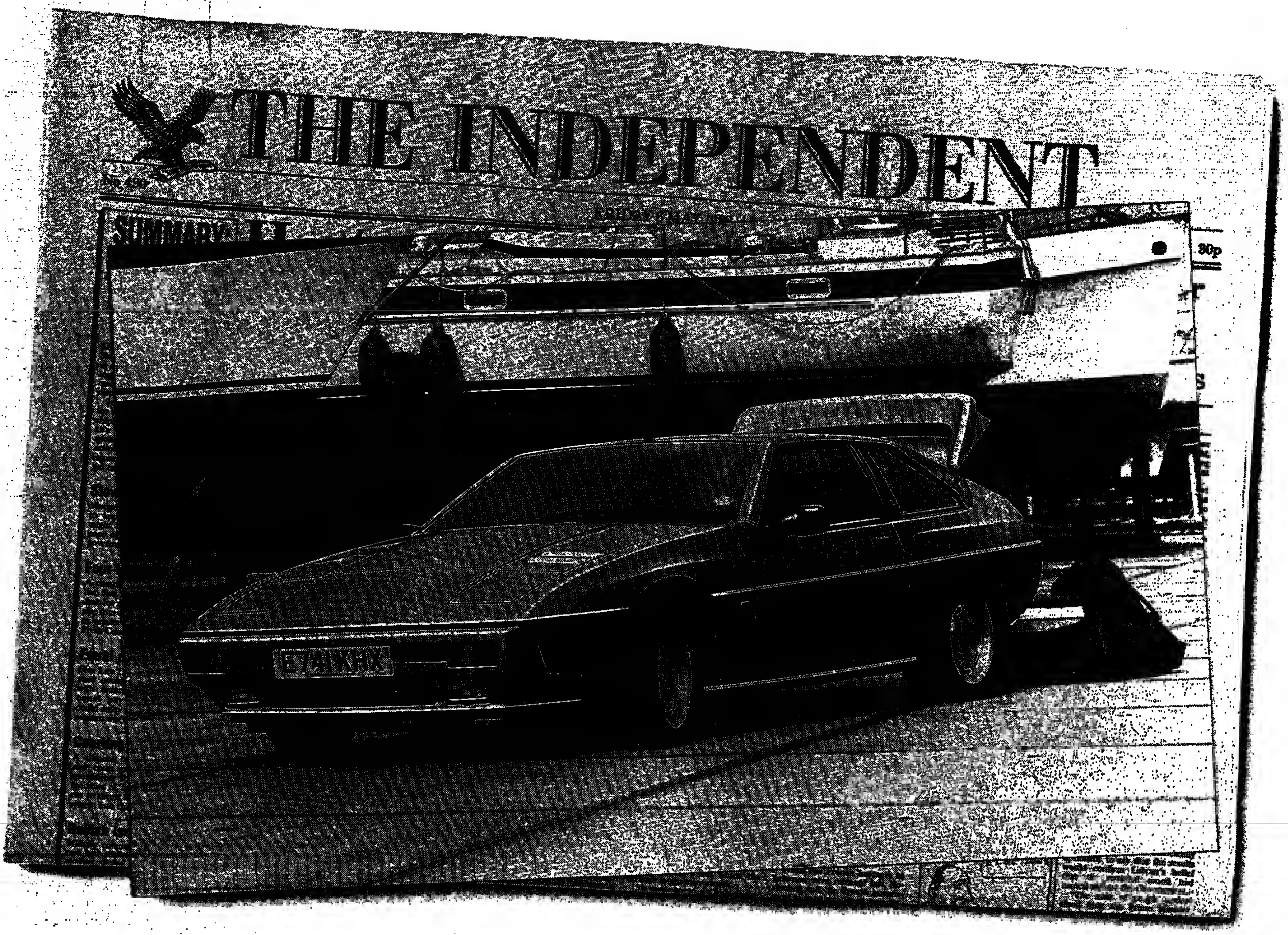

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OVERSEAS NEWS

The draft document's ambiguities have caused some anxiety, says **Colina Macdougall**

Basic Law's intricacies bemuse Hong Kong

THERE IS A severe danger that Hong Kong's Basic Law – the draft mini-constitution unveiled three weeks ago for the territory's future under Chinese sovereignty after 1997 – will become the Basic Bore.

The debate on the draft, the document which was promised by Peking when Britain and China signed the Joint Declaration on the return of Hong Kong to Peking rule over three years ago, has failed to take off. Bemused by the intricacies of the 116-page booklet, uninterested after months of unofficial leaks, and believing that in any case no-one listens to them, the public have so far responded with apathy.

The draft law has caused some anxiety because of its ambiguity and the extent of power it hands to Peking, but the Chinese insist it is open to alteration. However, many in Hong Kong believe that "Grandpa", as the locals ironically nickname the Chinese leadership, is not prepared to make significant change.

This may be taking too gloomy a view, since a system of consultation has been set up and is already soliciting opinions. But at a time when many of the professional middle classes are voting with their feet and emigrating to Canada and suchlike greener pastures, it is clear that some at least are not prepared to trust their future to a government with a track record like that of China.

Quite apart from the fact that the draft law contains topics apparently inappropriate for a constitution – such as the need for the future Hong Kong Special Administrative Region to keep a balanced budget – there are provisions in it which give rise for concern, not just among the territory's liberals but even among some regarded as "conservatives". Even the Hong Kong Government has evinced anxiety, though it believes this is best expressed in private to the Chinese.

A diplomatic blitz began in Hong Kong yesterday with the arrival of a six-strong team of Basic Law drafters from Peking, David Dodwell reports from Hong Kong. The group will be followed in four days by Tian Jiyun, the Chinese Vice Premier, Sir Geoffrey Howe, Britain's Foreign Secretary, Ji Pengfei, Chinese state counsellor, and a further large group of Basic Law drafters. Yesterday's vanguard group, headed by Zheng Weirong, who is third in rank in China's Hong Kong and Macao Affairs Office, is unprecedented in that it has come to Hong Kong as a guest of the colonial government, and will be spending its five-day visit inside the government secretariat, meeting officials and observing internal operations.

Lee: focus on text

This concern focuses on the way too much power has been left to Peking in matters relating to law and the political system. In particular, the draft Basic Law appears to compromise the "high degree of autonomy" promised in the Joint Declaration, which was only circumscribed in the spheres of foreign affairs and defence, where powers were given to Peking. However, the Basic Law sets out other areas relating to undefined "national unity and territorial integrity" where laws may be promulgated by China's State Council.

The political structure also gives rise to worry, since much remains to be defined, and some of the options specified are not particularly democratic. Five different methods of choosing the Chief Executive, who will replace the Governor when China takes over, are set out in the draft law. Of these two involve election via what could be an already slanted electoral college.

For the selection of the future legislature, there are four different options. While all contain a minimum of 25 per cent of direct election, the directly-elected members could easily be overruled by the remainder, who are elected by a variety of vocational or organisational bodies described often too vaguely as "business circles" or "grass roots organisations."

Causing the most concern is the method for the formation of the first government of the Hong Kong SAR. Originally the democratic lobby and the present Hong Kong Government hoped for some kind of continuity through the transitional period. However, the Basic Law sets out only one option for the changeover and this involves a complete change of officials and a long period when Peking is virtually in control.

Worse, the first Chief Executive will be "recommended" by an election committee indirectly appointed by Peking and he or she will hold office for five years.

On the brighter side, the wide range of options set out in the draft law and the long consultation period proposed in Hong Kong (from now till the end of September) argues that much can still be changed. Some locals are impressed by the length of time devoted to the drafting so far, and persuaded that Chinese officials are increasingly aware of Hong Kong's realities and so keen to get the Basic Law right.

The more liberal element in Hong Kong, represented by Mr Martin Lee, a member of the Legislative Council, is likely to press hard for a switch to the alternatives in the draft which provide for direct elections. The legal constituency which he represents seems likely to focus on the ambiguities and careless drafting in the text, attention to which might make the document much more acceptable.

Conservative business leaders, who are a powerful lobby in the territory, will be pushing for the electoral college concept which occurs in a number of proposals in the draft. These businessmen are listened to carefully by the Chinese, who see them as the guardians of Hong Kong's prosperity. But even some of the businessmen believe that Article 169, which gives Peking's National People's Congress Standing Committee the power to interpret the Basic Law, should be deleted.

Senior Chinese officials are due to visit Hong Kong over the next few weeks, starting next week with Vice-Premier Tian Jiyun, on his way home from a visit to the US. Officials and political figures here would be missing an opportunity if they did not tackle them over where and how far the draft should be amended. The debate may be falling on deaf ears as far as the public is concerned, but the volume of discreet discussion is likely to be considerable.

Iranian gunboats raid ships

IRANIAN gunboats attacked a Norwegian-owned tanker in the southern Gulf yesterday, the second such raid in 24 hours, Reuter reports from Dubai. Three speedboats hit the 55,361-tonne Berge Strand with five rocket-propelled grenades, wounding a Norwegian crewman, as it headed into the Gulf for Kuwait.

Gunboats made a similar lightning attack on the Japanese-owned tanker Ace Chemi in the Strait of Hormuz on Wednesday, racing back to the safety of the Iranian coast minutes later.

The raids were the first on merchant shipping since an April 29 statement by the US that it would defend all merchant ships that asked for help in the Gulf, unless they were serving Iranian or Iraqi ports. In both latest attacks – breaking a three-week lull in Iranian raids – the US navy was nowhere to be seen.

"The Iranians are tweaking the Americans' nose," said a shipping source, noting that US warships could do little to prevent such lightning strikes in the 30-mile strait.

Soviet Afghan deaths

A Soviet official yesterday confirmed that 12,000 to 15,000 Soviet soldiers had died in Afghanistan's civil war, AP reports from Moscow. Mr Eduard Rosental, a political observer for Novosti, the government news agency, said he could substantiate a French agency report that this many Soviet troops had been killed in Afghanistan. His comment is believed to be the first official estimate of Soviet war deaths.

Singapore president

Singapore said yesterday it was drafting legislation to amend its British-style constitution and pave the way for a popularly elected president, Reuter reports from Singapore. Prime Minister Lee Kuan Yew is widely tipped to be the first incumbent of the post if he retires, as he has hinted he might, when he turns 65 next September.

Trade gap narrows

Singapore's external trade deficit narrowed to S$548.3m (£144.6m) in April from S$776.8m in March, AP writes from Singapore. The gap in April last year, however, was S$447.5m. April imports rose to S$6.796bn from S$6.270bn in March, while exports rose to S$6.248bn from S$5.494bn in March.

Soviet-Egypt talks

Mr Esmat Abdel-Maguid, Egypt's Foreign Minister, arrived in Moscow yesterday for talks with Mr Eduard Shevardnadze, his Soviet counterpart, on the Middle East peace process, Reuter reports from Moscow.

Japanese call on US to issue non-dollar bonds

BY IAN RODGER IN TOKYO

A SENIOR Japanese government official has urged the US Government to issue bonds denominated in foreign currencies to help stabilise the dollar and reduce its role as the world's dominant reserve currency.

The call was contained in a speech in New York on Wednesday by Mr Toyoo Gyohten, Japan's vice finance minister for international affairs, and it marks the first time a senior Japanese official has publicly endorsed the idea of so-called Reagan bonds.

The issue of such bonds would also lead the US Congress to take the magnitude of US budget deficits more seriously, Mr Gyothen said.

The Reagan bond idea has been raised often in Japanese financial circles in the past year as a way of transferring the currency risk on US bonds from Japanese and other foreign investors to the US treasury.

Japanese investors in dollar-denominated US Treasury bonds have suffered huge paper losses in the past two years as a result of the sharp decline of the US currency against the yen.

Officials in the Japanese Ministry of Finance yesterday said they had not seen the text of the remarks, and so would not comment on them.

Sources close to Japan's financial markets said yesterday that Mr Gyohten has long favoured the idea of Reagan bonds. However, there was some surprise at the timing of his public endorsement of them.

The US Treasury remains totally opposed to issuing bonds in foreign currencies. Its view that there is no need for such a move must have been reinforced by the success of last week's treasury bond auctions and the strong participation by Japanese investors in them. Also, the idea is seen to be politically impossible in a presidential election year.

Reagan bonds would be criticised as an indication of the US Government's weakness, and would inevitably be associated with the Carter foreign currency bonds issued in 1977

One analyst suggested yesterday that Mr Gyohten's remarks might be related to the fact that Japan's large institutional investors are hungry for new investment instruments now that the Japanese Government is reducing its own deficit financing.

Australia supports Paris plans for Noumea

AUSTRALIA yesterday voiced full support for the new French Socialist government's plans for the future of New Caledonia and said his country welcomed France's presence in the Pacific, Reuter reports from Paris.

"We have never supported proposals that there should be Kanak independence or Kanak control of New Caledonia," Australian Foreign Minister Bill Hayden said, referring to the separatist struggle of the indigenous Melanesian population.

"What we have consistently said in respect to New Caledonia, is that there should be a proper active self-determination that leads to a multiracial society with a result that is acceptable all round," he added after meeting recently re-elected French President François Mitterrand.

"I am confident that President Mitterrand and his ministers are determined to initiate a number of policies which, given time in New Caledonia, should be able to bridge the differences and bring about an arrangement which should be fair and acceptable all round," he added.

Manila coup officers plead not guilty

THREE MILITARY officers on Thursday pleaded innocent to charges of supporting a coup attempt last August that left 53 people dead and hundreds wounded, AP reports from Manila.

The Suprema Court also ordered a military tribunal to stop the arraignment of two other officers, Lt Col Eduardo Kapunan and Lt Col Nelson Eslao. They have been charged with the same offence, but on Wednesday they asked the court in a petition halt the arraignment and release them.

Army Major Wilhelm Doromal and Lts Fernando Baltazar and Gregorio Catapang denied charges that they had incited cadets of the elite Philippine Military Academy (PMA) to support the August 28 coup bid against President Corazon Aquino.

The five officers were accused of voluntarily joining the mutiny led by former Lt Col Gregorio Honasan and denouncing the Aquino Government

Eritrean guerrillas warn of mass starvation threat

A SENIOR official of the Eritrean People's Liberation Front (EPLF), the main guerrilla organisation seeking the province's autonomy from Ethiopia, warned yesterday of "the spectre of mass starvation" in the country, Michael Holman, Africa Editor, reports.

Mr Zemede Tecle told a London press conference that almost 1.5m people in Eritrea needed food aid. "Without massive and immediate emergency assistance from the international community, hundreds of thousands of Eritreans are likely to perish," he said.

A similar warning came this week from the US Agency for International Development, which said that about 2.4m Ethiopians in the provinces of Eritrea and Tigre faced starvation because the Government has placed severe limits on deliveries of food aid.

The Ethiopian authorities, who are preparing a military counter-offensive to recent guerrilla successes, ordered most foreign relief workers out of the two provinces last month. Dr Frederick Machmer of US-Aid said that while donated food was available, adequate distribution had become impossible.

A string of recent EPLF successes which have brought more Eritrean territory under effective guerrilla control have also added to the Front's burden of responsibility for feeding the drought-hit people of "liberated areas".

The Eritrean Relief Agency, the aid organisation which works with the EPLF, says it is acutely short of trucks needed to shift supplies to areas in need.

Era also says that it has only a third of the food that it needs.

Golden Temple clean-up

BY EILEEN FRANCES IN NEW DELHI

RED CROSS volunteers removed the bodies of two men and a woman from the Golden Temple complex at Amritsar yesterday as municipal workers began cleaning up debris from the 10-day confrontation between Sikh extremists and government security forces.

A bomb squad was sent into the inner sanctum of the temple late in the day to ensure that the Sikh militants who surrendered on Wednesday had not left explosives behind. At least one more body was believed to be in the temple itself, police said.

The three victims raised to at least 49 the number of people who died in the siege, which ended with the surrender of the last 45 militants. All but five of the dead were believed to be Sikh radicals. Police said yesterday that after preliminary interrogation, 20 of the men were charged with murder or possession of firearms and moved to Punjab jails.

Firing was reported around the shrine at dawn, but police later said they had sent up flares to illuminate the empty shrine.

Despite the success of the action at the temple, killings by Sikh extremists continued in Punjab state. Police reported that 17 people, including two Hindu priests and a Sikh holy man, were slain Wednesday night and yesterday by the radicals.

Indonesian debt at $50bn

INDONESIA'S total outstanding private and public debt will reach $50bn by the end of the year, according to the World Bank annual report on Indonesia, Reuter reports from Jakarta. Last year the figure stood at $47.3bn.

Debt service payments are projected to rise sharply to $9bn this year, against $6.7bn in 1987.

The report said the debt service ratio would reach almost 40 per cent this year, up from 34.7 per cent last year, but noted that Indonesia was committed to repaying its debts on schedule.

The Bank put Indonesia's total external financing requirement for fiscal 1988/89 ending March 31 at $7.8bn, up from $6bn the previous fiscal year. Most of this will come from medium and long-term public loans, grants and special assistance from donor countries.

It recommended the Inter-Governmental Group on Indonesia, which links 14 donor countries and the World Bank, the International Monetary Fund and other lending institutions, should pledge assistance of $3.6bn to Indonesia for 1988/89 when they meet at The Hague next month. This would be 13 per cent higher than last year's commitment of $3.19bn.

It forecast Indonesia's current account deficit would fall from an annual average of $2.7bn over the past three years to $1.8bn in 1988/89.

South Korean students demand US troop withdrawal

BY MAGGIE FORD IN SEOUL

MORE THAN 20,000 students yesterday marched on the US Information Service building in central Seoul demanding that American troops be withdrawn from the country.

Shouting "Yankee go home," the students surged towards the centre after a funeral service for a student who committed suicide last weekend. The student had called for reunification of the Korean peninsula, the co-hosting of the Olympic Games by the two Koreas and removal of the 43,000 US troops.

At yesterday's rally speakers denounced US involvement in South Korea, claiming it supported dictatorship and hindered unification. They burned two US flags before urging students to march in the USIS. Hundreds of riot police dispersed the students with tear gas.

US officials, including Mr Frank Carlucci, the Secretary of Defence, are to hold talks in South Korea early next month.

The demand for co-hosting of the Olympic Games in Seoul this year coincides with repeated rumours that high-level officials from both sides have recently been paying visits to the two Korean capitals.

A Japanese newspaper reported earlier this week that Mr Ho Dam, a North Korean Politburo member and former Foreign Minister, had visited Seoul to discuss the Games and the reopening of dialogue between the two sides.

Rumours have circulated in the past week that three senior South Koreans had visited Pyongyang. Mr Lee Hong Koo, Minister of Unification, denied the rumours but added that contact with North Korea was being maintained through various channels. "We are in the process of fostering a national consensus on policies towards North Korea," he said.

South Korea's three opposition leaders suggested at a meeting on Wednesday that the Government should be urged to agree to co-sponsorship of the Games

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Unemployment total drops to below 2.5m

BY SIMON HOLBERTON

UNEMPLOYMENT fell to its lowest level for more than 6½ years in March, but other figures released yesterday provide confused signals about the British economy and appeared to increase the Government's difficulties over interest rate policy.

The Department of Employment said that seasonally-adjusted figures of those claiming benefits fell by 49,000 to 2,455,000 – the lowest level of unemployment since October 1981. The claimant count had fallen for 21 months in succession and the current level now represented 8.8 per cent of the workforce.

At the same time the Bank of England released its April figures for money supply and bank and building society lending. These showed an £8.2bn record rise in lending.

They also showed the Treasury's targeted monetary variable, M0, the narrow measure of money, growing outside its target range, further highlighting the Government's dilemma over interest rates.

Also released yesterday were the Central Statistical Office's figures for manufacturing production in March which appeared to confirm that British industry has scaled-down its output from the very high levels of late last year.

In total, the figures released yesterday provided an unfocussed snapshot of the economy.

The bank and building society lending figures together with those for unemployment strongly suggest that demand in the economy is expanding at a rapid pace.

Against that the figures for manufacturing production, which show no growth in the first quarter of this year compared with the fourth quarter of last year, suggest that output has slowed.

The CSO's manufacturing figures are at variance with surveys by the Confederation of British Industry, which have consistently pointed to industry's buoyant expectations about output and exports.

The also appear to conflict with figures released by the Department of Trade and Industry yesterday which showed that manufacturing investment rose 5 per cent in the first quarter of this year compared with the previous quarter and was 8½ per cent higher than a year ago.

Mr Norman Fowler, the Employment Secretary, said yesterday that it was too early to draw conclusions about the UK slowing down from the latest output data. A longer series of figures would be required before such conclusions could be drawn, he said.

The Employment Secretary said the fall in unemployment to below 2½m was very welcome and that the outlook for jobs was good. He said his department estimated that there were about 700,000 job vacancies in the UK and that there are now "great opportunities to go back to work".

Mr Michael Meacher, Labour's employment spokesman, said: "We have a very long way to go before we are back to the level of employment this Government inherited in 1979."

The Department's figures showed that vacancies at Job Centres rose in March and were 17 per cent higher than a year ago.

This rise appears to reverse a apparent trend in the vacancies figures for the previous four months where vacancies fell.

Figures for average earnings, however, showed that there has been no moderation in pay settlements. Average earnings for the whole economy rose at an annual rate of 8½ per cent in March and at that rate for manufacturing and service industries.

There was an apparent slackening in the rate of growth of productivity and a rise in unit labour costs, although these indicators may be distorted if the figures for manufacturing output are not accurate.

The CSO said yesterday that it may have some problems with the seasonal adjustment of the manufacturing output data. Its preliminary estimate for the first quarter of this year shows that output did not grow compared with the final quarter of 1987. But it was 5.4 per higher than a year ago.

Officials said they have reduced their estimate of the underlying rate of growth of manufacturing output to 4½ per cent.

Although high by historical standards, the reduction in the underlying growth rate compares with a CSO estimate of 6½ per cent for underlying growth just three months ago.

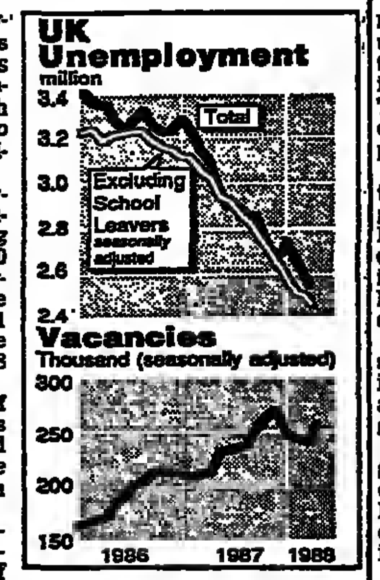
Officials said the apparent decline in output was concentrated in some of the areas of British industry which had been responsible for such high rates of growth last year.

Production of chemicals fell about 1 per cent in the first quarter of this year compared with the final quarter of 1987 and electrical and instrument engineering production was 3.5 per cent lower in the latest quarter compared with the previous quarter.

But the down turn in production was unevenly spread. Production of metals, building materials and food were all higher in the latest quarter compared with the fourth quarter of last year.

Production of energy fell sharply over during the quarter. Officials noted that even though this sector of the economy was in secular decline, the 2½ per cent fall in production was erratic and reflected the lower-than-normal consumption of electricity and gas because of the mild winter and coal strikes in February.

The CSO index of manufacturing production was 111.9 in March (1980=100) against a revised 110.9 in February and its index of production industries was 114 (1980=100) in March compared with 112.6 in February.



Record lending rise highlights dilemma

BY RALPH ATKINS

BANK and building society lending rose by a record monthly amount in April, highlighting the apparent *dilemma facing the* Government over interest and exchange rate policy.

Bank of England figures showed that lending by banks and building societies rose by a seasonally adjusted £8.2bn last month. This was higher than expected by most independent economists and compares with a revised £6.8bn increase in March.

The rise largely reflected strong growth in the UK economy but heightened fears of some analysts that excessive lending may reflect an economy that is growing too quickly and lead to a rise in inflation.

However, any attempt to damp lending growth by raising interest rates would add to upward pressure on the pound. The value of sterling continues in be underpinned by relatively high interest rates and yesterday's figures were interpreted as making a cut unlikely.

The Bank's figures show that M0, a key money measure of the Government, continues to grow at a rate outside its target range. In April, the measure increased by a seasonally adjusted 0.9 per cent compared with the previous month and 5.9 per cent against April 1987.

At the time of the March Budget, the Government set a target growth range for M0 of 1 per cent in 5 per cent in 1988-89. However, it has said the measure was likely to grow faster than this in *the early months of the financial* year.

The Treasury yesterday pointed to figures for M0 over the past six months which suggest the underlying growth rate is nearer the target range. Annualised and seasonally adjusted, these show a 5.1 per cent rise.

The latest figures show the broad measure of money supply, M3, increased by 19.3 per cent in the 12 months to April, while M4, which includes building society deposits, rose 15.9 per cent.

The Banking Information Service said personal lending by the main UK banks accounted for a smaller proportion of the total increase than normal. There was strong growth in corporate borrowing, most notably to manufacturers.

This suggests that rather than fuelling an acceleration in personal consumption, the lending figures might have reflected a strong level of investment by industry. This is supported by capital spending figures for the first three months published yesterday by the Department of Trade and Industry.

The strength of corporate borrowing might also have been caused by companies switching from equity financing to bank lending for financing capital spending.

Simon Holberton analyses the trend in earnings

Pay growth pace worries Whitehall

THOSE looking for any sign that the pace of pay settlements in Britain might be moderating searched in vain yesterday's figures from the Department of Employment.

Although there was no dramatic rise in the rate of growth of underlying earnings this month, the persistently high growth rate is worrying policymakers at the Treasury and those who carry out the Government's monetary policy at the Bank of England.

Yesterday's figures showed that there was an underlying growth in average earnings in March of 8.5 per cent – a whole-economy growth reflected by an identical rate of growth in underlying manufacturing and services earnings.

At the same time, the figures showed a continuation of a trend in lower productivity growth and a commensurate rise in the growth rate of unit labour costs.

The rate of productivity growth has fallen to 5.5 per cent over the three months ending in March, compared with 7.7 per cent in the three months ending in September 1987.

Unit labour costs have risen by 2.5 per cent to the end of March, compared with 0.7 per cent to the end of last September.

The "stickiness" of average earnings comes at a time when the Government is operating a monetary policy with which it is far from pleased and at a time when there are worrying signals on the international scene concerning the outlook for inflation and interest rates.

The decision earlier this week by Mr Nigel Lawson, the Chancellor of the Exchequer, to force base rates down to 7.5 per cent – their lowest level for a decade – in the face of domestic indicators of latent inflationary pressures, such as wages growth, has further unsettled British financial markets.

His argument for doing so rests on the effect a higher exchange rate will have on industry.

Profitability will be crimped by the higher exchange rate and that should work through to lower pay settlements, the Government says. Independent economists remain agnostic.

A study of pay settlements by Greenwell Montagu, the UK securities house, shows that the majority of wage rises agreed in April have been between the 6 per cent and the 7 per cent levels.

Settlements above 6 per cent now appear to be the norm and the Ford settlement – 14 per cent over two years – seems to have had a distinctive knock-on effect within the car industry and other areas of the private sector.

"The recent rise in pay settlements is the reason for our expectation that the rise in underlying earnings will soon start again," Greenwell says.

"We expect April's figure to show a rise to 8.75 per cent, its highest level since the middle of 1982. A rise to 9 per cent and possibly higher in future months could well be possible."

There have been few signs that the rate of growth in average earnings has spilled over into higher inflation.

Trends in factory gate prices have been stable for more than a year. The fear, however, is that if the rate of growth in manufacturing output slows there will not be a commensurate slowing in earnings and this will feed through into higher prices and inflation.

The hopes that the recent rise in sterling and its generally non-accommodative policy will make sure this does not happen.

The Bank of England said last week it thought that the rise in sterling would depress wage claims because of the effect it would have on company profits.

More broadly, the Government has indicated that it will seek to maintain a strong exchange rate through higher interest rates if, in the future, the pound shows signs of weakening.

Norman Fowler, Employment Secretary, announcing yesterday that unemployment in Britain had fallen below 2.5m and below 9 per cent of the working population

New inquiry for Sizewell inspector

By Maurice Samuelson

SIR FRANK LAYFIELD, who presided over the long running inquiry into the planned Sizewell B nuclear power station on the east coast of England, is to take part in a hearing on plans for a large power station on the south coast.

Sir Frank, who ruled in favour of the Central Electricity Generating Board's Sizewell project, will this time challenge the board's bid to build an 1,800MW coal-fired station at Fawley, on the Solent.

The hearing, which is unlikely to begin before next spring, could provide a pointer to the development of the electricity industry following the privatisation and break-up of the CEGB which has dominated it for 30 years.

Some of the objectors at Fawley are expected to claim that additional demand could be met more cheaply and with less environmental disruption by smaller, gas-fired stations rather than the ever bigger units which the CEGB has built in recent decades.

This, they claim, is in keeping with the Government's hopes for more competition in generation, as stated in its recent privatisation policy document.

The CEGB says Fawley and a nuclear power station at Hinkley are needed because of a looming shortfall in electricity supply in the south and south-west of England. At Fawley, it also wants to install deep-water harbour facilities capable of landing cheap coal for inland power stations as well as for the Fawley plant.

The Hinkley Point PWR (pressurised water reactor) inquiry is due to open on October 4. If the CEGB's case were upheld, it would be up to one of the CEGB's privatised successors to decide whether in build it.

In the case of Fawley, Sir Frank is to act for Hampshire County Council and the New Forest District Council, which have set aside £1.5m for the challenge.

Mr Cecil Parkinson, Energy Secretary, this week acknowledged the force of local objections by agreeing to the public inquiry at Fawley.

Racal wins £300m computer contract

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

RACAL, the UK electronics group, yesterday clinched the largest data networking contract awarded in Britain when it was chosen to instal a government system worth up to £300m over the next 10 years.

The network is expected to be the largest of its kind in western Europe, linking about 240,000 computer terminals in four of the biggest government departments – the Department of Health and Social Security, the Inland Revenue, Customs and Excise and the Home Office – by 1995.

It is also likely to give Racal a head start in one of the most promising fields opening in the telecommunications industry – the installation and maintenance of private telecommunications systems that allow computers to exchange information between different sites.

City analysts last night welcomed the deal as further evidence of the group's rapid shift out of manufacturing, particularly in the defence field.

Racal has achieved a significant impact in telecommunications with the development over the past three years of its Vodafone cellular mobile telephone subsidiary, now valued at between £1.5bn and £2bn.

The initial investment in the government system, which will begin operations early in 1989, is likely to amount to about £50m over the next three years. Racal-Scicon, the wholly-owned group subsidiary that will manage the project, will establish, own and maintain the network for an annual fee; computer terminals connected to the system will be owned by the departments.

Installation of the network should go some way to answering criticisms that the Government has been moving too slowly in the information technology field, where Whitehall procurement is *frequently* seen as an essential element in building a competitive British industry.

The idea behind the network is to develop a system where the switching and transmission of messages will be managed over a common network.

Mr Peter Brooke, the Paymaster General, who announced the contract, rejected suggestions that there was a danger of information collected by one department being misused by another. The rules limiting the passing of personal information between departments would apply to the data network.

Lords inflict second defeat over education

By John Mason

THE GOVERNMENT'S education reform bill yesterday suffered its second major defeat by the House of Lords when stronger safeguards were demanded on academic freedom once lecturers' tenure is abolished.

Peers voted by a majority of 26 (152-126) on the principle of writing into the bill an explicit commitment to preserving academic freedom.

The defeat follows last week's overturning of the Government's proposals on balloting procedures for schools opting out of local authority control.

After yesterday's defeat, Mr Kenneth Baker, the Education Secretary said the Lord Chancellor had made clear to the Lords that the Government would be changing the bill to ensure that academics had proper freedom to do their work and were not dismissed merely on account of their views.

The Government had sought in every way the right of some academics to career-long tenure of their posts and in allow universities to dismiss staff on grounds of financial need.

It was argued that freedom could not be satisfactorily defined in law.

Wellcome loses appeal on drugs

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

UK PHARMACEUTICAL companies trying to stop their trademarks being infringed by parallel imports from other European Community countries have suffered a setback in the House of Lords.

Five Law Lords ruled yesterday that the Secretary of State for Social Services did not have to take account of possible trade-mark infringements when issuing Product Licences (Parallel Imports) under the 1968 Medicines Act.

The only matters that had in be taken into account were considerations of safety, efficacy and quality, the Law Lords said.

They dismissed an appeal by the Wellcome Foundation, which had complained that one of its main products, with an annual UK turnover of £9.5m, was being damaged by parallel imports.

Lord Ackner, who expressed some sympathy with Wellcome's "frustration" in trying to track down infringing importers, said that the DHSS had offered to inform Wellcome and other UK trademark holders of the names and addresses of parallel importers, and the country of origin of the product, when a licence was granted.

With that information Wellcome would be able to seek an injunction against infringement.

Lord Ackner suggested that importers should be told that that information had been given, and that the grant of a licence did not absolve them from complying with private civil rights, in particular trade mark rights.

That, he said, should go a long way towards inhibiting importers from applying for licences in a particular product name so as to facilitate infringements of trade marks.

Wellcome had sought judicial review of the DHSS's view that trademark infringement was irrelevant when the grant of a licence was being considered. The High Court ruled that such infringement was relevant but the decision was overturned.

The case concerned an anti-bacterial drug marketed by Wellcome in the UK under the trade-marks Septrin or Septrin Forte.

Wellcome calculated that each year more than £900,000 worth of Eusaprim, which cost less in other other EC countries than Septrin did in the UK, was imported into the UK and sold under the name Septrin without Wellcome's consent.

Administrative staff feel the heat as coal industry cuts back

Maurice Samuelson on the little publicised thousands of white collar jobs that have been lost in mining

IN ITS fight to cut costs, the British coal industry has been shedding thousands of white collar staff jobs above ground as well as below.

The process has attracted far less attention than closures of collieries, which affect whole communities. Nevertheless, it has been on a comparable scale.

As well as hiving off numerous non-mining businesses, ranging from geological exploration to builders merchants, distributorships and some of its transport, state-owned British Coal, which accounts for nearly all the nation's coal production, has been cutting clerical and management personnel to match the run-down in the mines and their labour force.

Non-industrial staff have been reduced by 40 per cent since September 1983, from 27,100 to 16,500 at the end of March this year. In the same period, miners and other industrial staff have fallen by 50 per cent, from 219,000 to 107,000.

The office run-down would have been more noticeable had British Coal not moved out of Hobart House, its Kremlin-like London headquarters, adjacent to the large building which British Steel abandoned in favour of less pretentious premises a few years ago.

But thanks in an advantageous lease, British Coal is comfortably ensconced there, and the only sign that it is too big for its needs is that ACAS (Advisory Conciliation and Arbitration Service), Britain's industrial relations service, has quietly occupied nearly a quarter of the building.

In the coalfields, however, such overheads can no longer be maintained. British Coal recently announced that it was cutting the number of its area administrative units from eight to four. This involves closure of sizeable administrative establishments in South Wales, Scotland, the North East and the Western area, which stretches from Cumbria to Staffordshire.

In each of these areas, a dwindling number of mines has been supported by a sizeable headquarters, with a wide and complex range of activities, employing about 400 people. Each is headed by an area director, regarded as one of the highest posts in the industry's career ladder short of a place on the management board.

The area directors preside in some style not just over the local collieries but over an establishment comprising about a dozen distinct branches: mining, industrial relations, purchasing, marketing, transport, finance, personnel, statistics, legal, public relations, catering and so on.

In these so-called peripheral coalfields, the pits will in future be serviced by a much slimmer "group" management, supervised by a national director of group operations. Although most of the former area services will be handled centrally, greater responsibility will also devolve to the local collieries.

The change means that British Coal is left with only four fully fledged administrative areas: North and South Yorkshire, Nottinghamshire and the Central coalfield.

British Coal has blandly described such changes over the years as "evolutionary," but in an historic perspective they look dramatic. In the mid-1950s, the apogee of the state-owned coal industry, the National Coal Board had three tiers of administration.

Between the pits and the national headquarters there were no fewer than 60 sizeable administrative bodies. At the top were eight regional divisions. Next came the areas – 52 of them – below which were the collieries organised in groups.

The divisions and the areas were all large organisations, with impressive business estates and large numbers of employees.

The turning point was precipitated by the steep rundown of pits in the 1960s because of the flood of cheap oil. In 1967, the divisions were abolished and the areas cut to 17. By last year, there were only eight areas left, and these have now been cut to four.

This may still not be the irreducible minimum. With the Government admitting its long-term ambitions to privatise the coal industry, British Coal could yet "evolve" into two competing coal companies, based on Yorkshire and the Midlands, unless, of course, the industry were encouraged to "explode" in a mass sale of independent collieries. In that case, the industry's managerial and clerical staff could start to increase again. Both possibilities are inherent in the latest restructuring.

Global brewers draw their market camps

BY LISA WOOD

THE WORLD'S beer industry is starting along the path of being concentrated into fewer international operations according to a report by County NatWest WoodMac, the stockbrokers.

The report said the globalisation of beer was being made possible by the worldwide gradual concentration of domestic markets into fewer, more efficient brewing operations.

The next stage in the process, said County NatWest WoodMac, was for the major companies to try and buy into one or more of the larger domestic participants in each country, giving them access in distribution outlets.

Such a development had already started. Companies already pursuing such a strategy include Elders IXL and the Bond Corporation, both based in Australia. They have bought into concentrated beer markets such as the US, Canada and the UK to build up a strong multi-domestic network of businesses. Overlaid on this structure, said the report, they hoped to develop international brands.

Control of distribution was a key factor in globalisation of brands said the report. It pointed to developments in the spirits sector of the drinks market and cited the example of IDV, the drinks subsidiary of GrandMet, the UK drinks, hotels and food group. In 1980 it bought the Liggett Group. This gave IDV distributive control of J & B scotch whisky, one of its own brands which had been distributed by Paddington Corporation, part of Liggett.

In addition the acquisition gave IDV a platform upon which in market Baileys Irish Cream in the US. The report said: "While the strength of the Baileys brand is crucial to its success, the build up of distribution internationally by IDV through the 1970s and 1980s has been an equally fundamental feature of the brand's success."

BRITISH SMALL DIESEL ENGINE MAKER LAUNCHES NEW RANGE

Lister-Petter sets out to face all-comers

BY NICK GARNETT

RICHARD LISTER set out the challenge for his company: either to confront the Japanese or find niche areas and produce specialist things that the Japanese did not make. "We decided to produce a range of engines suitable for major market applications, so facing the Japanese and other European producers head on," he said.

Mr Lister, sales and marketing director for Lister-Petter, Britain's biggest producer of small diesels, was speaking about the new range of nine water and air cooled engines the company is now launching.

Sales of the new Alpha range, developed at a cost of £4m and linked to £25m of new plant and production machinery will be crucial to the health of the Gloucestershire-based subsidiary of Hawker Siddeley.

The company employs 2,200, mainly in Dursley, Gloucestershire, Swindon and Staines and sold 70,000 engines last year with total sales, including its overseas subsidiaries of £90m.

The Alpha engines, ranging from 6.7hp to 41.3hp, represent a determined effort by Lister-Petter to shift business towards applications in construction and agricultural machinery and marine craft, reducing its reliance on supplying engines for other industrial equipment such as generating sets and pumps. The last two products still absorb 40 per cent of Lister-Petter output.

Mr Lister says the company hopes that the Alpha range will account for half of the company's sales by 1991. To achieve this, Lister-Petter will have to take market share from West German and Italian producers and, in particular, the Japanese who supply more than half the world market for small diesels.

The Alpha range, designed in be lighter, quieter and less costly in make than existing Lister-Petter engines and claimed to be the first full-range of both water and air cooled small diesels manufactured in Europe marks an improvement in confidence at the company since the dark days of 1986.

In that year the two separate Hawker Siddeley companies of Lister and Petter were merged after falling into loss, and Hawker was rumoured to be thinking of selling the merged operation.

The slump at the end of the 1970s in Lister and Petter's traditional markets in the Middle East and Africa, together with the further oil shock in the early 1980s reduced output of the combined company from more than 100,000 engines in the late 1970s to 50,000 in 1986.

Output has been recovering since then and Lister-Petter came back into profit in 1987. Recently, Hawker Siddeley stated that its diesel businesses, which include Merlees Blackstone and Hawker Siddeley Power Plant will remain a core activity.

Lister-Petter already makes engines from 1.5hp to 50hp, together with a small number of diesels, mainly using Ford blocks, up to 150hp.

Most of its small engines are air cooled but world demand is moving towards water cooled engines, even in smaller horse-power bands. Water cooled engines tend to be more expensive to make but are quieter and produce less vibration, qualities which machine operators are increasingly seeking.

Lister-Petter's new 2,3 and 4 cylinder diesels will allow Lister-Petter to offer customers water and air cooled options.

With features such as thin wall cast iron crank cases and only five machining faces on engine blocks, Lister-Petter says manufacturing costs, compared to similar horse-power engines in its existing range, are around 18 per cent lower. Weight of the Alpha engines are down by 20 to 30 per cent and noise levels by a factor of three.

Japanese companies such as Yanmar, Kubota, Isuzu and Mitsubishi are very strong in small water cooled engines.

Excluding India, China, Eastern bloc countries and the captive markets in Japan (where some Japanese makers of mini-tractors, for example make their own engines), the Japanese have 30 per cent of the world market for engines under 50hp. Lister-Petter estimates this market at about 400,000 engines a year.

If captive markets are included, Japanese manufacturers supply more than half of world demand.

Apart from the Japanese, the Alpha range will pitch Lister-Petter more directly against some other European producers, including Volvo Penta in marine diesels, Deutz and Hatz of West Germany and a number of Italian makers such as Lomardini and Ruggerini.

Lomardini is also on the point of introducing a small water cooled engine to add to its air cooled range and Deutz, a specialist in air cooled engines has introduced a combined air and oil cooling model.

Lister-Petter says it is looking to the Alpha range to take the company into new product areas such as mini tractors and mini excavators, skid steer loaders, access platforms and motor yachts.

"It will be a battle to unseat existing suppliers," says Mr Lister, great grandson of the man who founded the Lister company. "But we are the first European company to take on the Japanese with such a range of both water and air cooled engines. If we did not do it someone else would."

Mr Lister concedes that recent exchange rate movements, in particular the strength of the US dollar will make the task of increasing market penetration more difficult for a company used to working in a sector already suffering from notoriously low margins.

MANAGEMENT

Ashley Ashwood

Sir John Sainsbury: cautious approach to diversification has brought success where others have met failure

Developing 'softly softly' outside the mainstream

Maggie Urry explains why J Sainsbury, Britain's biggest food retailer, adopted a cautious approach to UK and overseas diversification

SOME YEARS ago a Punch cartoon depicted a company chairman speaking to shareholders at the annual meeting. After listing the group's tribulations in its many areas of diversification, he concluded that the company's basic pea-canning business continued to perform well.

Diversification has been the downfall of many successful businesses. Yet a company is forced to look outside its mainstream activity if it operates in a market where growth is limited, or if its market share is such that it can go little higher.

UK food retailers, argue some industry analysts, are now facing this problem. The top five already hold about 60 per cent of the market between them. In five, or at most 10 years' time, their theory goes, the market will be saturated by the multiple grocers' outlets, the profits of which will stagnate or even fall. As an illustration, analysts point to the US where the common view is that there are too many food stores and that fierce competition has resulted in low, or non-existent, profit margins.

Such competition has also affected leading UK grocers. All of them, either explicitly or implicitly, have sought to diversify. In 1985 Asda bought MFI, the furniture retailer, only to sell it again last year.

The same year Argyll launched an unsuccessful bid for Distillers. In 1986 Dee bought Herman's, a US sporting goods retailer. Recently Tesco has said openly that it is looking for another business.

J Sainsbury, the UK market leader (followed closely by Tesco), has perhaps been most successful at finding new activities, although Sir John Sainsbury, chairman and chief executive of the group, does not agree with the saturation theory.

Sir John does think, though, that "it could be sensible to have another area of activity" and points out that, at times, food retailing has come under political scrutiny. UK food retailers operate under much looser constraints than those in continental Europe.

Sainsbury took the decision to diversify in the 1970s – early enough to give it time to develop its new businesses should Sir John prove wrong about the future.

Of the profits made in the year to late March, reported last Tuesday, some £35m of the group total of £308.4m (about 11 per cent) came from activities other than the Sainsbury supermarket business. That may seem modest, but it amounts to roughly half the group's total profits for 1980, after adjusting for inflation. Sainsbury's medium-term target is for this proportion to rise to 15 per cent.

Sainsbory's approach to finding activities outside its mainstream business has been decidedly "softly, softly". As its expertise is in UK food retailing, the two obvious choices for diversification were food retailing overseas and other forms of retailing in the UK. It has taken both routes.

There are two elements of the Sainsbury culture that might have made diversification difficult. First, Sainsbury has never made a significant acquisition, preferring to grow its businesses organically.

Second, there is a determination that anything Sainsbury does must carry the same quality image as its food retailing business: "Whatever we do we must do superbly well," argues Sir John.

This has meant finding experts to help in areas new to the group without making large-scale takeover bids. In every case Sainsbury has worked with partners, each taking an equity stake in the joint business.

The move overseas had to be by acquisition; the idea of starting a chain from scratch was considered to be too difficult. After looking at the food retailing business in various countries, Sir John says it was decided that North America offered the greatest opportunities.

The result has been the gradual acquisition of Shaw's, a New England-based supermarket group. In 1983 Sainsbury bought a 21 per cent stake. That was increased to 28 per cent in 1986 and finally to 100 per cent in July last year. The total cost has been nearly $300m.

It may seem that Sainsbury was entering the lion's den by moving into the competitive US market. But Sir John argues that although US food retailers were once the leaders in supermarket development and "we learnt an enormous amount from the US", in some ways UK retailers are more efficient.

"We certainly felt we were equals, and though the trade is very different, we could relate most closely to the US industry," Sir John explains.

Shaw's, like Sainsbury, was a family business. But the family was ready to sell and welcomed Sainsbury's involvement. Shaw's, based in the prosperous area of New England, also has a quality image, similar to Sainsbury's in the UK.

"There is huge potential in Shaw's," says Sir John, "although it will take time to realise." Shaw's has 60 shops compared with Sainsbury's 279 in the UK. Shaw's pre-tax profits have grown from $17m in 1982 to $37.7m for the 60 weeks to end-February 1988 ($33.3m on an annualised basis).Each side of the business is learning from the other.

In its home market, Sainsbury has branched out into hypermarkets, through SavaCentre, and into do-it-yourself retailing with Homebase. Both are joint ventures, which have enabled Sainsbury to draw on the necessary expertise in other product ranges, and both were started from nothing.

The idea of SavaCentre came from the hypermarkets which were developed in France in the 1960s and 1970s. There the supermarket stage in food retailing development had been missed out. From small high street shops, retailing leapt straight to huge stores offering low prices.

Sainsbury started examining the economics of hypermarkets. These stores are large enough to take direct deliveries from suppliers, which mean that savings on distribution can be passed on to customers. Sir John decided that hypermarkets were a different but equally valid way to sell food.

However, hypermarkets cannot sell food alone. And Sir John concluded that Sainsbury did not have the skill or the buying power to offer a good standard of textiles at low prices. So the decision was made to approach a partner.

Sainsbury chose British Home Stores (BHS), as it was then called, and approached the then chairman, Mark Turner. A 50-50 joint venture was formed in 1975 and the first SavaCentre opened in 1977. Sainsbury provides the expertise in foods, BHS in non-foods.

The alliance cannot always have been easy. Although Sainsbury deliberately wanted the hypermarket operation to be a separate profit centre to its supermarket business and thus set it up as an associate company, it must have been galling to know that the Sainsbury part of SavaCentre would generate the bulk of sales and be the main attraction to shoppers.

Margins on non-foods are much higher than those on foods and so profits probably even out between the two partners. There was a time, though, when BHS was going through a sticky patch. Since the takeover by Sir Terence Conran's Storehouse, and BHS's renaming as BhS, SavaCentre appears to have performed better and Sir John Sainsbury was happy to support Storehouse when it was under threat last year.

Moving into hypermarkets might be seen as an extension of the food retailing business. But Sainsbury's idea of starting the Homebase DIY chain was a genuine diversification. It was also an opportunity in a fast-growing, but antiquated market. Sir John says Sainsbury felt that "many of the disciplines of supermarketing were relevant."

The Homebase business is 75 per cent owned by Sainsbury, with the other 25 per cent held by Belgium's largest retailer, GB-Inno-BM, which has interests spanning supermarkets, hypermarkets, department stores and DIY shops. It also has stakes in DIY chains in the US and France.

The first store was opened in 1981. Sir John believes that sales can be multiplied by having Sainsbury and Homebase on the same site, sharing a car-park. The link with GB-Inno-BM also gives advantages in terms of better buying power. And an own brand, called OBI, has been developed which all partners of GB-Inno-BM can use.

The City's criticism of both SavaCentre and Homebase is that they have not expanded fast enough. SavaCentre has only six stores after 10 years' effort, largely because sites have been hard to find. Now there are three more in the pipeline.

Homebase, with 38 shops, has a strong image with customers, but it is a much smaller chain than, for example, Woolworth's B & Q and W H Smith's Do It All. And many analysts believe that DIY is heading for saturation even faster than food retailing. Nor has Sainsbury always succeeded with new ideas – their move into independent freezer centres in the 1970s has fizzled out.

Yet Sainsbury has shown that a cautious approach to diversification, sticking fairly closely to its own areas of excellence and seeking partners which can provide different skills, has brought success where others have met failure. And if the pundits prove right about food retailing's future, Sainsbury has at least developed a broader base and connections in the US and Europe which provide it with a range of opportunities.

A patchy record for secondment

Hazel Duffy reports that a rather unflattering profile emerges from the findings of a study

ARE YOU working for a big company, nearing retirement, suffering from a personal problem? You might be just the person to be sent on secondment by your employer.

This rather unflattering profile of the "typical secondee" emerged from the first piece of UK research* to be carried out into the subject which was unveiled at a recent seminar.

The Centre for Employment Initiatives surveyed 122 companies over a period of 18 months. Sixty five were found to be seconding 530 staff to "not for profit" organisations like Project Fullemploy, Opportunities for the Disabled, the Prince's Youth Business Trust, and local enterprise agencies. Nearly half fell into the pre-retirement category. Twenty per cent of companies contributed more than two-thirds of all secondees, while just two companies accounted for 185 of the total. The major banks were the largest source of secondment. Only one third of companies released people who were in mid career.

Secondment is becoming more common. Companies are being increasingly pressed by the Government to take on social responsibilities, and this is one way that they see to respond. Marks and Spencer, the retail chain, for instance, has 24 employees out on secondment at a cost in it of about £1m a year.

But it is clear from the findings in the survey, which included over 100 case studies, that a more professional approach needs to be devised.

At the seminar, representatives from the Prudential, the investment and financial services group, supported by Marks and Spencer, said that they had done a lot of work in the past couple of years in this direction. In particular, younger people are being selected, they said.

Action Resource Centre, which promotes secondments, addressed the need with its "Good Practice Guidelines", published last year. Now a code has been produced by the Institute of Personnel Management, in conjunction with the Centre, to guide all those involved. It covers company secondments to overseas branches, and the public sector – where there is also growing interest in exchanges of personnel – as well as community organisations.

The researchers, who found that the time spent on secondments varies from as little as a few hours a week, to three years full time, identified a few good examples of secondments. They also found a few which were a very bad experience.

The main failing on the part of companies was to recognise that putting people into a different environment should be seen as a development in their careers, not as a way of solving the difficulties of what to do with somebody who is superfluous to the organisation, perhaps because they are nearing retirement, their job is being made virtually redundant by organisational changes in the company, or, surprisingly frequently, because they have a personality problem.

The Centre for Employment Initiatives argues that good secondees need to be adaptable, capable of accepting responsibility, and creative – the very qualities that companies want for themselves. If the practice is to be used as a mainstream business development tool, employees must be assured that they will be credited with their experience outside, perhaps being promoted on their return (Central Television did this with a returning secondee).

Other benefits showed up in the research, not least to the host organisations which reported that they found the people sent to them were invariably of better quality than they had anticipated. But the investigators found this came about more often by accident than purposeful design.

Whatever the problems surrounding secondments, British companies are increasingly being looked to as an example by other companies in continental Europe, where, say the researchers, the practice is much less common.

**Seconds Out, published by the Centre for Employment Initiatives, 140A Gloucester Mansions, Cambridge Circus, London WC2H 8PA, price £7.95.*

Company Notices

Legal Notices

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APPOINTMENTS

Managing director of Group 4

Mr Jim Harrower has been appointed managing director of GROUP 4 TOTAL SECURITY. He was managing director of Racal-Guardall.

★

Mr Patrick Scott has been appointed managing director of DORMEUIL (SALES AND MANUFACTURING), London. He was with the Distillers Company as managing director of Pimms, and succeeds Mr Walter Bedwell who has become vice chairman.

★

Dr John Knights has been appointed vice president of research, development and engineering at VERSATEC, a Xerox company. He has been over 13 years with Xerox, and joined Versatec in 1986 as director of product development and engineering.

★

Sir Graham Wilkins, chairman of Thorn-EMI, has been appointed non-executive deputy chairman of ROWNTREE. Mr David Cramb has retired as deputy chairman.

★

Mr John N.G. Moreton, formerly a director of EXCO, has joined BABCOCK & BROWN as chairman of its new currency broking operation, Babcock & Brown (Currency Deposits). Mr Kevin Costello joins as a director. Both are based in London but will work in conjunction with the new Los Angeles office.

★

Mr Peter M. King, Mr Brian K. Cameron and Mr Alan R. Booth have joined the board of BILLITON UK.

★

Mr Michael J. Cutler has been apointed group company secretary of CREST NICHOLSON. He was group assistant secretary and group employee benefits executive with Babcock International. He replaces Mr Ian Hughes who will concentrate on his expanded duties as group tax executive.

★

Mr Derrick Reid has been appointed chairman of the CONSUMER CREDIT TRADE ASSOCIATION. He is managing director of Century Industrial Services, a subsidiary of James Ferguson Holdings.

★

Mr Nicholas Hood, chairman of the Wessex Water Authority, has joined the board of PROVIDENT LIFE ASSOCIATION. Also joining the board is Lord Howe, head of banking for Adam & Co's London office.

★

Mr Donald Carr, currently non-executive chairman of the NSM group, becomes full-time chief executive from August 1. He is a group managing director of Tarmac, with responsibility for the company's US operations. Mr Ian McPherson has been appointed chief executive of TARMAC AMERICA.

★

Miss Jeannie Burnside has been promoted from head of finance to financial director at K SHOES, Kendal.

★

Dr Geoffrey Ashton has joined the boards of THE CATTO GALLERY and its subsidiary companies with special responsibility for The Catto Press.

★

Mr Lars Evander has been appointed chief executive of a regional management group responsible for London-based SVENSKA INTERNATIONAL and its subsidiaries, which covers all international capital market activities of the Svenska Handelsbanken Group. Mr Leif Hedburg becomes his deputy. They remain managing director and deputy managing director of the international merchant bank.

★

LIT HOLDINGS has appointed Mr David F. Goldberg as a director, following the acquisition of the Goldberg Group. LIT America Inc becomes the principal operating subsidiary in North America, and Mr J.M. Middlemas, group chief executive, has been appointed chairman. Mr Goldberg becomes deputy chairman. Mr W. Wisenborn, who was president of Shatkin Trading, and who will remain on the group board, becomes president of LIT America, of which the other directors will be Mr H.S. Shatkin, Mr P.H. Arbor (deputy chairman of the Chicago Board of Trade), and Mr W.E.R. Siebenmann, together with Mr R.E. Goldberg and Mr J.J. Rath, former owners and directors of the Goldberg Group. Mr P.R. Rickwood, who was finance director of the Kleinwort Benson Group until he joined LIT earlier this month as operations director, has also been appointed a director of LIT America. Mr Shatkin, Mr Arbor and Siebenmann, all resident in Chicago, have resigned from the board of the parent company.

★

RCC FINANCIAL SERVICES has appointed Mr Jeremy Stein as managing director. He has been with the Christie Group for 15 years, and succeeds Mr Kevin R. Eakin, who has been promoted to an international role in the group, and remains on the RCC board.

★

Mr Mark W. Boucher has been appointed managing director of the captive division of ALEXANDER HOWDEN GROUP.

★

Captain Malcolm Edge has become deputy master of TRINITY HOUSE, following the retirement of Captain Sir Miles Wingate. Captain Edge was elected an elder brother of Trinity House in 1978 following a career with BP Tankers. He is executive chairman of the lighthouse board.

★

SIMON ENGINEERING has appointed Mr John Pugh as managing director of Simon Gloster Saro. He takes over from Mr Bill Allan who remains a director, but is transferring to the Simon Access sub-group to work on acquisition and engineering projects.

★

Mr Barry Scott has been appointed chief economist at BRITISH GAS headquarters, London.

★

Mr Robin Etheridge has been appointed a director of ENGLISH & AMERICAN UNDERWRITING AGENCY.

★

Mr Paul Rex has been appointed senior manager, corporate banking, at CREDIT AGRICOLE, London. He was vice president responsible for European shipping and commodities finance at Chemical Bank, London. Mr Nicolas Samuel has been promoted to senior manager, asset and acquisition finance; and Mr William Vickers has been promoted to senior manager, property and project finance.

★

In early June Mr David Hudson becomes divisional manager of THE NESTLE COMPANY in Japan. He was general marketing manager at the company's Croydon office.

★

Mr Peter Hadley has joined CHARTER GROUP and becomes a director of its Harbour Exchange Marketing and Property Development companies. He was sales and marketing director at the London Docklands Development Corporation.

★

Mr Thomas H. Richardson has been appointed managing director (fragrances) for UK and Ireland by New York-based INTERNATIONAL FLAVORS AND FRAGRANCES INC. He was managing director of IFF Australasia.

★

Mr Roger Miller, chairman of Miller Homes, has been elected president of the BUILDING EMPLOYERS CONFEDERATION.

★

CENTER PARCS, a Dutch holiday company, has appointed Mr Jeremy Logie as managing director of its UK operations. He joins from Trusthouse Forte where he was operations director London and overseas hotels.

★

MINET INTERNATIONAL PROFESSIONAL INDEMNITY has appointed Mr Edwin Going as claims director - London.

★

Mr Michael Mander, a director of Hill Samuel, has been appointed non-executive chairman of M.A.I.D. SYSTEMS.

★

Mr Ralph Hepworth, Mr David Mennmott, and Mr David Kingston have been appointed to the board of P-E INBUCON.

★

ALEXANDER STENHOUSE UK has appointed Mr Bill F. Campion as director Chelmsford, and Mr Chris W. Goodchild as director Reading. Mr Les Coulstock will assist with development in central division and Chelmsford, pending his retirement in 1989.

★

EDALE INVESTMENTS, Romsey, Hants., has appointed Mr Bernhard Grob as managing director. He was sales director.

★

HODGSON IMPEY has admitted 11 partners: Mr John Barker (Grimsby); Mr David Chambers (Birmingham); Ms Odette Dufau (Liverpool); Mr David Hanshaw (Boston); Mr Nick James (Lerwick); Mr Richard Miles and Mr John Taylor (Hull); Mr Nigel Mundy (Hereford); and Mr Ian Pratt, Mr Andrew Short, and Mr Iain Stewart (London).

★

Mr Martin Dryden has been promoted to managing director of GARTMORE FUND MANAGERS, managers of Capital Strategy Fund. He is a director of Gartmore Fund Managers International, and takes over from Mr Anthony Myers who has been appointed managing director of Gartmore Money Management.

★

Mr Mike Pullen has been appointed sales director, and Mr Allen Morley becomes financial director of KINGS TOWN PHOTOCODES.

★

Mr Andrew E. Murison has been appointed managing director of FRAZER-NASH EVANS, and managing director of Evans (Stage and Studio Engineering). He was group operations director with Victor Products.

★

Following the acquisition of Dashwood Underwriting Agencies by Berisford Mocatta (Underwriting Agencies) the company will be known as MOCATTA DASHWOOD MEMBERS AGENTS, with the following directors: Sir Francis Dashwood (chairman); Mr F.D.A. Mocatta and Mr M.W. Bask (deputy chairmen); Mr A.L.G.C. South (managing director); Mr P.A. de Pinna (finance director); and Mr T.A.R. Gould (director).

★

TR INTERNATIONAL (CHEMICALS) has appointed Mr Alan Looney as managing director of National Chemical Distributors, its subsidiary in the Republic of Ireland.

FT LAW REPORTS

Nationalised employer is not the state

FOSTER AND OTHERS v BRITISH GAS PLC
Court of Appeal
(Lord Donaldson, Lord Justice Nourse and Lord Justice Mann):
May 13 1988

A NATIONALISED industry set up with its own legal personality and not as a government body, is not "the state" for the purposes of European Community requirements relating to the equal treatment of employees. And accordingly, female employees who were subjected to a discriminatory retirement age policy cannot claim unlawful discrimination if, contrary to EC requirements, such a policy was at the time still lawful by UK legislation.

The Court of Appeal so held when dismissing an appeal by Mrs Audrey Foster and five other women, from an Employment Appeal Tribunal decision that a discriminatory retirement policy operated by their former employer, the British Gas Corporation, was not unlawful. British Gas plc was party to the appeal solely as successor to the Corporation's liabilities.

LORD DONALDSON said that the six women, formerly employed by British Gas Corporation, had been required to retire at 60, whereas their male colleagues retired at 65. They claimed for unlawful discrimination.

The retirements took place between December 1985 and July 1986. Since then the gas industry had been privatised.

Apart from the effects of EC law there was nothing unlawful in the Corporation's retirement policy. At the relevant time the UK was in breach of its EC obligations in not having amended its domestic law to bring it into line with Council Directive 76/207/EEC. Such an amendment would have rendered the differential retirement policy unlawful. The issue on the appeal was whether the Corporation was a corporate entity of such a type that its employees were entitled in the English courts to rely directly on the requirements of the directive, and to found a claim for damages on the fact that its retirement policy was contrary to the terms of that directive.

Prima facie council directives did no more than give rise to a duty on the part of member states to amend their national legislation to conform with the directive.

However, the European Court of Justice had developed a doctrine which was akin to estoppel. If a citizen sued a member state claiming it had caused him damage but acting contrary to the directive when national law should have been amended to make such action unlawful, the state was not permitted to defend itself on the basis that its actions were lawful by national law.

It was otherwise if the defendant was a private citizen. The rationale of the doctrine was that the state could not rely on the consequence of its own breach of community duty in failing to amend its national law, but the private citizen, who could not legislate and was under no duty to do so, was in a wholly different position.

The question was as to what constituted "the state" for this purpose, and whether it extended to include a nationalised industry.

Guidance on what was "the state" was to be found in *Marshall v Southampton Health Authority [1986] 1 QB 401* and *Johnston v Chief Constable of the Royal Ulster Constabulary [1987] 1 QB 129.*

In *Marshall* the European Court rejected an argument that while the estoppel would operate against the state when acting as such, it had no operation against the state as an employer. It treated the question of whether the health authority was "the state" as a matter for the English courts.

In *Johnston* it was established that the Chief Constable was independent of the government, but the European Court held he was subject to the EC estoppel. It said he was "an official responsible for the direction of the public service", and "such a public authority, charged by the state with the maintenance of public order and safety, does not act as a private individual."

Those two decisions established that, as a matter of European law, the directive gave rise to legal rights in employees of the state itself and of any organ or emanation of the state. An emanation of the state was understood to include an independent public authority charged by the state with the performance of any of the classic duties of the state, such as defence of the realm and maintenance of law and order.

Whether British Gas Corporation fell within that category fell to be determined in accordance with English law.

It was common ground that the Corporation's status was indistinguishable from that of the British Transport Commission, which was considered by the Court of Appeal in *Tamlin v Hannaford [1950] 1 KB 18.*

There it was held that the Commission was "a public authority . . . but it is not a government department."

The Corporation was not a body bound by the directive. The appeal was dismissed.

LORD JUSTICE NOURSE agreeing, said that article 189 of the EC Treaty provided that "a directive shall be binding . . . upon each member state . . . but shall leave to the national authorities the choice of form and methods."

That showed it was the member state on which the Equal Treatment Directive was binding.

The European Court had held that it was for national law to determine whether, for the purposes of the directive, a particular employer was the state.

The question was whether, under the constitution which the legislature provided for it by the Gas Act 1972, the Corporation could properly be described as the state.

The legislature set up a statutory corporation with legal personality of its own, for all practical purposes indistinguishable from the British Transport Commission, which was held in *Tamlin* to be "its own master . . . not a government department."

That decision was conclusive of the present case. The British Gas Corporation did not exercise governing authority. On that ground it could not properly be described as the state.

LORD JUSTICE MANN also agreed.

For the employees: James Goudie QC and John Cavanagh (Bruce Piper & Co
For the employer: Michael Beloff QC and Elizabeth Slade (solicitor, British Gas)

Rachel Davies
Barrister

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TECHNOLOGY

ADVANCED MATERIALS are often claimed to be the cornerstone of engineering progress.

ICI announces a new material called "digital paper" and says it has such a capacity for storing optical information that it will encourage the data processing industry to invent new engineering systems for storage.

British Petroleum sees advanced materials, potentially, as big business. For example, by the end of the century, BP forecasts a $20bn world market for photovoltaics, which convert sunlight into electricity through a semiconducting material such as silicon.

But too often businessmen have seen advanced materials as the playthings of scientists trying to stretch nature.

Steel, the material of the Industrial Revolution, is still the predominant engineering material. Silicon remains pre-eminent after 30 years of micro-electronics. Nickel alloys still confront the fiercest flames of the aero-engine, defying the challenge from alloys of niobium, molybdenum and tungsten, as well as from ceramics.

How can the materials scientist cope with the requirement that there be a market for a new engineering material? For him, the attractions of new materials often seem obvious. Polymers, fibres and ceramics, for example, can all be made from substances far more abundant in the earth's crust than metals. Potentially, they will be cheaper and lighter, less prone to corrode, self-lubricating and fuel-saving because they allow engines to run at higher temperatures.

But who ever made money out of an advanced material? cried a plaintive voice at a meeting of industry and science at Surrey University recently. It was hosted by Professor Tony Kelly, vice chancellor and an international authority on why things break. Kelly was calling for more co-operation between materials scientists in academe and industry. No one sprang forth to claim credit for a commercial success with an advanced material.

David Fishlock on the travails of turning new materials into saleable products

A history of adversity triumphing over hope

The history of these materials has been a troubled one. In the 1960s a wonder material was acclaimed called carbon fibre. In 1969, a UK parliamentary select committee concluded that it was "of the utmost national importance that a large-scale plant for producing carbon fibre is built in this country without delay." The committee called for a capacity of at least 450 tonnes a year. It took Courtaulds nearly two decades to build up sales of that order.

Courtaulds, as source of the polymer fibre from which carbon fibre is made, was urged to collaborate in the 1969 venture. David Giachardi, its technical director, recounts the subsequent travails.

The most traumatic year was 1971, when Rolls-Royce abandoned its use of carbon fibre in the huge fan blades sucking air into the RB211 engine. The blades failed to satisfy the company's specification on impact resistance when struck by birds or gravel.

Soon after, Rolls-Royce itself failed. Its temerity in trying to substitute the new-fangled fibre-reinforced plastic for a metal was inevitably cited by some as the cause. Giachardi says "some very fancy promises" for the material were dashed by these events.

Rebuilding the image of carbon fibre has been a long and painful process. What is now clear to Courtaulds is how little was known at the time about the chemistry of the new material and the fundamentals of its manufacture. Today the company can make bundles of fibres, called tows, which are 200 per cent stronger than the product abandoned by Rolls-Royce.

Courtaulds also learnt how long it takes to persuade customers to switch to a radically different material. A high strength-to-weight ratio makes carbon-fibre composites a natural for aerospace engineering, but it was not permitted in aircraft until 1978. Aerospace quickly became its main market, despite much-publicised uses in premium sports gear such as golf clubs. Aluminium and some titanium are the main metals displaced.

The US version of the Harrier (AV8B) jump jet contains more than 2 tonnes of the composite, over a quarter of its total weight. The Beech Starship executive jet, now being certified in the US, has a fuselage fabricated from carbon fibre. Boeing talks of such composites making up 25 per cent of its airliners by 1995.

But Giachardi says carbon fibre is still "not a business we can see operating at massive tonnages." Its manufacture remains both capital and energy intensive. It has been showing 40 per cent annual growth and the company sells more than 500 tonnes a year, but demand is levelling off.

Could this chequered history be about to be repeated in the case of ceramics?

Extravagant claims have been made that ceramics would oust traditional materials in electrical engineering. IBM's discovery of superconductivity — no resistance to electricity — in a ceramic created immense excitement among scientists, after two decades in which the study of superconductivity had stagnated.

But the enthusiasm for ceramic superconductors is almost wholly science-driven and unmatched by any comparable enthusiasm among potential users, says Professor William Mitchell, chairman of the Science and Engineering Research Council, which is sponsoring the new £6m Cambridge research centre specialising in superconductivity. Scientists see the opportunity of harnessing something close to perpetual motion; engineers say it will not be possible to manufacture anything from the crumbly ceramics they are being shown.

Electrical engineers know a lot about ceramics. Some 70 per cent of "technical ceramics" go into their industries, for example as insulators and heat sinks.

Ceramics have been called the oldest materials made by man. What is new is the strength of varieties like silicon nitride, which promise light, cheap replacements for metals, especially where temperature, corrosion and wear are problems. Ceramics are used in tools that machine the toughest of metals and in artificial hip joints. The Japanese even invented ceramic scissors, hoping to open up a large domestic market for engineering ceramics.

Nevertheless, the material still suffers from an inherent fragility and it is taking scientists a long time to circumvent this weakness. Even where they have succeeded, as in parts of the diesel engine, the increase in efficiency has so far been small, says Barry Newland, a director of Morgan Matroc.

In the aero-engine, ceramics are chasing a fast-moving target. A nickel alloy turbine blade today contains catacombs of hair-fine cooling channels through which air is pumped as they spin. When the cooling channels were first introduced, it became possible for the blades to operate at a temperature 50 degrees C higher than before. Today the operating temperature is 500 degrees higher — leaving little margin for ceramics.

So design and engineering are important new features of the turbine blade with built-in cooling. These "sub-systems" are the kind of product that ICI and BP are seeking to make from their advanced materials technology.

Rolls-Royce provides another example with the fan blade which eventually replaced carbon fibre in the RB211. Stuart Miller, Rolls-Royce's engineering director, says the company always had a back-up blade, made of titanium, and with it the project went on to considerable success.

But the company did not abandon its quest for a much lighter blade. It took another 13 years to develop the hollow fan blade, a fabricated blade of titanium skins sandwiching a honeycomb of titanium. And this gave Rolls-Royce a world lead, says Miller.

Robert Malpas, technical director of BP, offers examples of material systems using polymers. One is the wine box, which uses a five-layer sandwich of copolymers to compete with the bottle. The latest is a sandwich of seven layers intended to compete with the tin can.

Does past experience show how advanced materials can be pulled through from research to market more expeditiously?

Some of the lessons are:

- The US is the best market for advanced materials. ICI, BP and BASF have all set up their headquarters for advanced materials there.
- Be sure the science is right before entering market, as Pilkington did with "float glass", but Rolls-Royce failed to do with its carbon-fibre fan blade.
- Go for "material systems" as an indispensable part of the engineering package, as ICI plans to do with its digital paper and BP with photovoltaics.
- A "demonstrator" project helps pull advanced technology through to the market. Rolls-Royce executives believe Hotol is more important as a technology demonstrator for its next generation of aero-engines than as a propulsion system for space.

Programs that make sense to deaf children

By Paul Abrahams

COMPUTER software designed to help deaf children has been developed at the University of Cambridge.

Researchers at the Department of Education believe the programs will be good for the personal development of deaf children, as well as helping them learn mathematics, a subject in which they tend to fall behind.

"Many of the emotional and behavioural problems associated with hearing-impaired children may result from their inability to stop, think and reason," says Jeffery Barham, research fellow on the Mathematics for the Deaf Child Project.

Barham says that the difficulty is one of vocabulary. A hearing child learns about six words a day between the time he begins speaking and starting school. It is unnecessary to teach him the meaning of concepts such as "why . . . because" and "if . . . then" because they are learnt by listening.

"The danger is that there tend to be more whys than becauses for children with impaired hearing. Because they fail to understand why things are happening, the world appears bewildering and hostile," says Barham.

He explains that deaf children are seldom asked what they want and often do not know how to choose. One child, on his first day at school, burst into tears when offered a choice between orange and lemon squash. It was the first time he had been asked.

The project, sponsored by the Leverhulme Trust and the Sir Halley Stewart Trust, has developed programs, to run on microcomputers, which help five to 11-year-olds come to terms with mathematics.

The software is designed to help them make choices. One program shows a series of pictures — a woman with an umbrella, a boy splashing in a paddle, a man wearing a scarf and gloves. The word "why" appears on the screen. Underneath is written "because" with pictures of a sun, a cloud raining and a snowman, one of which the child must choose.

Brian Cash, headmaster at Westgate primary school, Bury St Edmunds, says: "The computers respond immediately to the child. The feed-back, in the form of a smiling face and the words 'well done', encourages him in a way that traditional methods, such as work-books, cannot."

The plant that can stand up to weed killers

THE SWEET smell of success is wafting round the laboratories of Plant Genetic Systems (PGS), of Belgium. For the Ghent-based biotechnology business claims it has just developed a sugar beet plant which can withstand the withering effects of the most common weed killers.

This breakthrough in the application of genetic engineering presents the six-year-old company with the possibility of grabbing a lucrative share of the estimated $200m (£108m) a year sugar beet seed market.

Jan Leemans, research director for plant engineering at PGS, says: "European sugar beet farmers spend two to three times more on weed control than they do on seeds. This is because they spray their crops, at the moment, with a combination of several specific and expensive herbicides, which kill weeds without damaging the plants.

"When sugar beet is made resistant to inexpensive broad-spectrum herbicides, however, the farmer's control programme will be simplified and his spraying costs reduced."

PGS has already integrated foreign genes into tomatoes, tobacco, rapeseed, alfalfa, potato and poplar trees. It is now working on other field crops, such as corn, cotton, soyabeans and cereals. However, it regards the sugar beet success as a particular triumph because big multinationals, including Monsanto of the US, have been trying to develop such a technique for years.

Geert van Brandt, PGS business and marketing director, says the company believes that recombinant DNA technology — a process which allows genes to be spliced from one organism to another — holds great potential for the company's core plant engineering business. The aim is to create plant species, via new seed varieties, which incorporate a number of genetically desirable and economically important traits.

In the case of sugar beet, PGS has developed plants which are resistant to glufosinate, one of a new generation of herbicides which has powerful weed killing properties but is safe for humans and animals, and does not damage the environment.

The company says that its scientists transferred and expressed in sugar beet plants a gene from a bacterium called Streptomyces, which produces an enzyme that reacts with glufosinate and renders it inactive. Greenhouse tests confirmed that these plants were normal. Leemans says that "such new varieties will require the use of only one to two herbicides, rather than the two to six generally used in sugar beet."

As with all small, young companies in a new industry like biotechnology, the struggle to transform the fruits of research into commercially viable products and contracts is inescapably long and at times frustrating. "It takes years to get a gene properly into a crop and bring it to market," says Brandt. He admits that the company has sometimes been handicapped in trying to establish its credibility with large clients by the "not invented here" syndrome. And, in the past, its time-consuming strategy of trying to negotiate long-term exclusive deals with seed manufacturers may not have been the most cost-effective approach.

Fortunately, PGS has patient backers and its founding shareholders, the Swedish plant breeding and seed company Hilleshog, the Belgian sugar and sweeteners producer Tienen Sugar Refinery, the Belgian feed additive company Radar and GIMV, the investment company for Flanders, have already topped up their original BFr 500m (£8m) capital with a further tranche of BFr 400m.

The company, which has no profits record but has built up a team of 130 highly motivated employees (100 in research), is also raising between BFr 500m and BFr 1bn via a placing with European institutional investors of about 20 per cent of the equity.

Its efforts are not confined to plants. Last year, work on the biocontrol of insects led to the announcement that it had transformed blue-green algae to produce a mosquito-killing protein which helps combat malaria. The algae are an important food for the larvae and so kill them off before they reach the insect stage.

Tim Dickson

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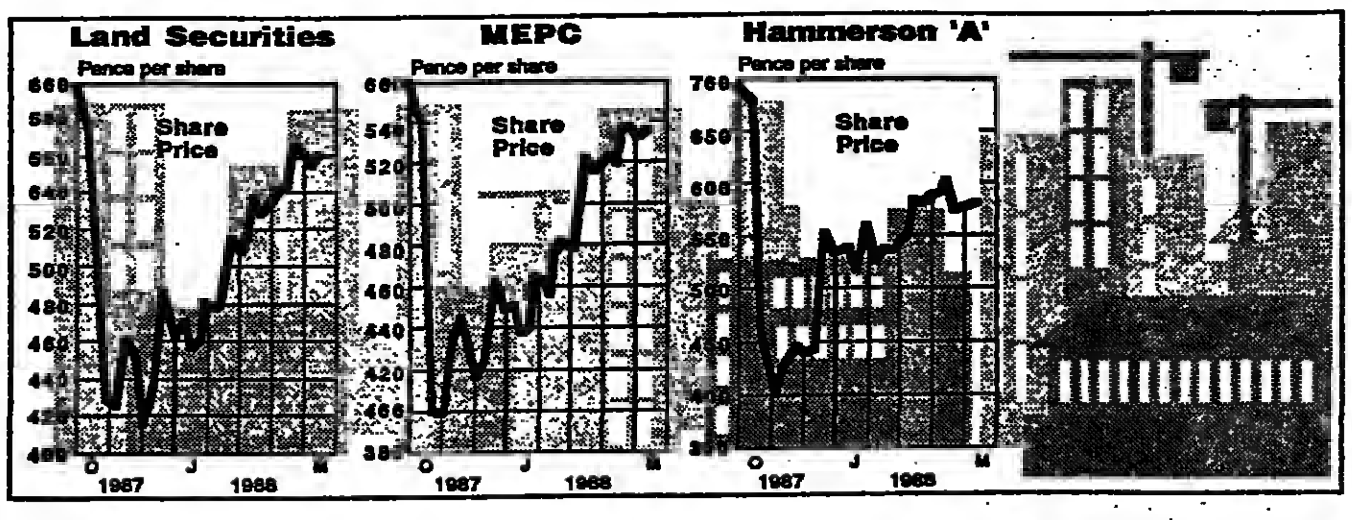
Why asset backing is in fashion again

By Paul Cheeseright



THE STATELY galleon of Land Securities docked this week with en éclat that few had expected. It also brought comfort to those who believed that investment in assets was the best course in the wake of the October crash.

The annual results of the biggest property investment group in the country, coming on top of those of MEPC and Hammerson, tha second and third rated in terms of markat capitalisation, have highlighted the prevailing trends in the property market.

The key factor for the market, both for the Big Three and for those that are slightly smaller – British Land, Slough Estates, Capital and Counties – is the way in which their net assets move.

Interest has increased because, immediately after October 19, when the froth was swept from the top of the market, the common perception was that it made sense to look not for trading performance and for hopeful earnings per share, but for asset growth. Life would be safer knowing that money invested had a solid support.

The immediate effect of the market crash was to eliminate the premium of the market price over the net asset value of property companies that had emerged in the mad summer days of 1987 and replace it with a more customary discount. The more recent recovery of the market has served to narrow the discount of the asset value compared with the market price.

This narrowing has occurred at least in part because of the search for defensive stocks. The Big Three property investment groups are pre-eminently that, although more aggressive than might appear at first sight because they are not simply rent collectors but development companies as well.

Even before the market crash, the financial community was coming to terms with the higher returns, relative to other forms of investment, from the property sector in general. The property investment companies have been able to ride those returns. If their net asset values had not increased there would have been something wrong somewhere.

So their success, or otherwise, is a factor of how they manage their accumulated assets, how they acquire more, how they go about their development and re-development programmes.

Of the Big Three, Land Securities, with a net asset value per share increased in the year to last March by 37 per cent to 668p, has come out with the largest increase. The MEPC increase in the year to last September was 21.1 per cent and that of Hammerson, in the year to last December, a humbler 8 per cent.

Peter Hunt, chairman of Land Securities, observed that his group's rise was exceptional, measured against recent performance in tha market place, where increases have ranged from 20 per cent to 33 per cent.

But there is a distinction to be made. Land Securities is totally British and has no immediate international aspirations - the reasons why are set out in the accompanying panel. But MEPC has some 20 per cent of its assets abroad and Hammerson 58 per cent. Especially in the case of Hammerson, even leaving aside different valnation policies, growth of net assets has been held back by currency fluctuations.

The problems of exposure to currencies has been a continual problem for Hammerson. Phillips and Drew, stockbrokers, has worked out the average compound annual growth in net assets per share over the last five years: for Hammerson it has been 5.9 per cent, compared with 8.7 per cent for MEPC and 13.9 per cent for Land Securities - this last figure boosted by the 1987-88 performance.

Such growth does not look marvellous compared with an average 16.3 per cent asset growth for 27 property investment companies over the same period, but, as Phillips and Drew pointed out, "the smaller the company, the easier it is to achieve a faster growth rate" in percentage terms.

To be sure, there is a huge bulk of assets in the big property investment companies. Land Securities has just valued its portfolio at £4.08bn. The MEPC portfolio on the basis of the latest figures was worth £2.4bn and that of Hammerson £1.62bn.

When it comes to the average compound increase in dividend payments over the last five years, the Phillips and Drew figures show that Land Securities, MEPC and Hammerson are pretty well level-pegging at between 12.1 and 13.6 per cent. But on earnings per share the growth at Hammerson is the highest - 17.1 per cent, followed by Land Securities at 15 per cent and MEPC at 13.5 per cent.

There is no doubt that the investor wanting quicker and higher returns, and willing to trade in and out, will have a more exciting ride with the so-called merchant developers. But at the same time it is worth noting that companies like Greycoat, London and Edinburgh Trust, Rosehaugh and Speyhawk, all darlings of the market before October, are seeking to build up their assets. In their different ways they are seeking to become like the Big Three - they are just at an earlier stage of development.

Land Securities, MEPC and Hammerson are then to some extent models for the sector - hardly surprising given that between them they account for some 40 per cent of the FT Property Share Index. But what sets the Big Three apart is the sheer strength of their balance sheets.

Their borrowings are on the balance sheet. They like to keep 100 per cent of their developments and they can afford to carry them. They do not have to embrace non-recourse financing and spread both the risks and the rewards with partners, as smaller companies do.

This makes them look a bit dull, but as Mr Hunt said, just the valne of his group's retail warehouses at £200m is more than the capitalisation of some favoured property companies. The increase in Land Securities shareholders' funds in 1987-88 at £800m is, he said, more than the capitalisation of all but two other companies.

Here, then, is the comfort of bulk. For the moment all is going the way of the property investment groups and it is a fair bet that during the current year, Hammerson's overseas exposure notwithstanding, the asset value of the Big Three will show further healthy increases.

Although rents in the City of London may flatten a little, the West End office market is tight, the retail sector, as far as the chase for space is concerned, continues to boom, and the industrial sector is in a state of cyclical revival.

On top of these market factors, the financial institutions are showing a fresh regard for property investment. Statistics now begin to support the anecdotal evidence of institutional buying in the sector, as a defensive measure in preference to equities.

Given the institutional inclination for accidental collective action, some of the chief beneficiaries of this will be the big property investment companies. The more the institutions buy, the more narrowing the yields, the more the value of the properties in the companies' portfolios will be driven up.

Now that, as Ian Cockburn, property investment manager at Electricity Supply Nominees put it, "asset backing has come back into fashion," Land Securities and the bigger investment groups are core equity holdings for the institutions. The Big Three win in the City marketplace and out on the ground.

LAND Securities is rather dismissive of overseas investment. "We haven't done badly without it," says Peter Hunt, chairman.

Other groups have been attracted to the diversity, the often higher yields and the growth prospects of the US, Europe, Australia and the Far East. But there are problems, as Mr Hunt outlines:

- "The best property decisions are the ones you can feel."
- "You obviously have currency problems."
- "You have different legal problems."

That said, if Land Securities made an acquisition with a foreign portfolio in it, Mr Hunt would not sneer. "I'd take a view."

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INTERNATIONAL APPOINTMENTS

Biggest beer group names its president for Europe

EXECUTIVE changes are under way at Anheuser-Busch International, a licensing and marketing subsidiary of AnheuserBusch Companies, which is based at St Louis, Missouri.

The group is best-known for Budweiser, which it describes as the world's best-selling brand of beer. It said it wanted to "focus better" its management resources on international growth.

"The world beer market is more than 3½ times as large as the United States market, offering us excellent opportunities for growth," explained Mr August Busch, president of the Anheuser-Busch Companies group and chairman of its board.

Mr Jaime Iglesias is to be president and managing director of the Anheuser-Busch Europe subsidiary. He will continue to manage the European operations of Campbell Taggart, the group's food subsidiary.

Reporting to him from London will be Mr Jonathan Radice, a former journalist on The Economist who will be Anheuser's vice president and staff director, Europe.

The parent group said Mr Radice would "continue to guide European beer strategy development."

Mr Johnson Leung is to be president and managing director of Anheuser-Busch Asia, based in Tokyo. He used to be vice president.

★★★

A NEW president has been chosen by International 800 Telecom, a United States group which describes its business as "providing international toll-free telephone services on a worldwide basis."

Mrs Marlies Alvarez

He will be Mr Jacques Couvas, who was previously executive vice president in charge of operations.

The group, which has its international headquarters in Nyon, Switzerland, has also named a marketing manager for Service 800, its main operating company. She is Mrs Marlies Alvarez, promoted from the post of manager of the tele-marketing division of Service 800.

★★★

J.P.MORGAN, parent of Morgan Guaranty Trust, the fifth-largest United States bank, has appointed a new general manager to head its business in Spain.

He is Mr Victor Arbulu, a vice president, who has succeeded Mr Wallace Reynolds, also a vice president. Mr Reynolds has returned to New York to take a post in the bank's international private banking division with responsibility for marketing in Latin America.

Mr Arbulu was previously stationed in Santiago, where he covered J.P. Morgan's business in Chile for three years.

From 1982 to 1985 he was in New York and in charge of the bank's operations in Mexico, central America and the Caribbean.

Before that, Mr Arbulu was at the bank's Madrid office as a manager of Morgan Guaranty SAE, the bank's Spanish merchantbanking affiliate.

★★★

MIL Research Group, the sixth-largest market research company in Britain, has announced that Mrs Yola Lanpheimer is to oversee its expansion in West Germany. She has spent the past 25 years with Infratest Forschung.

Chairman of Johnson joining Heinz board

MR SAMUEL Johnson, chairman of the company that produces Johnson Wax polish, has been elected to the board of H.J. Heinz, the grocery products group based in Pittsburgh, Pennsylvania.

Dr Tony O'Reilly, chairman, president and chief executive officer of Heinz, said the Heinz board was being enlarged from 15 to 16.

Mr Johnson, aged 60, is chairman and chief executive officer of S.C. Johnson, based in Racine, Illinois. He represents the fourth generation of his family to have served in the post of chief executive of the company.

Mr Johnson, who joined S.C. Johnson as assistant to the president in 1954, is a director of Mobil Corporation and Deere and Co. He became chairman and chief executive officer of S.C. Johnson in 1967.

★★★

THE HONG KONG Tourist Association has chosen Mr Martin Barrow, a director of Jardine Matheson, to succeed Mr Michael Miles as its chairman. Mr Miles, chairman of John Swire & Sons (HK), finished his term with the association in March.

Mr Barrow arrived in Hong Kong in 1965, and has since worked for Jardine Matheson in several countries.

Aerospace groups announce moves by senior executives

KEY executive responsibilities are changing at Rohr Industries, based at Chula Vista, California. The company said the moves would support its growth and changing role in aerospace industries worldwide.

Mr John Sandford, aged 53, has been named as senior vice president for product operations, responsible for product engineering, materiel, manufacturing and quality assurance.

He was previously senior vice president for programmes and technology, and joined Rohr in July last year.

Mr Robert Goldsmith, aged 57, has been appointed senior vice president for business operations, responsible for Rohr's commercial, military, space and customer service activities, and its technology and new products organisation.

He was previously senior vice president for operations, having joined Rohr in 1984.

Both appointees will report to Mr Harry Todd, chairman, chief executive officer and president.

The technology and new products organisation will be headed by Dr Alek Mikolajczak, aged 53, who was previously vice president for engineering and technology.

★★★

DR MALCOLM CURRIE is to succeed Dr Albert Wheelon as chairman and chief executive officer of Hughes Aircraft Company. Hughes, a subsidiary of GM Hughes Electronics Corporation, said Dr Wheelon was leaving for personal reasons.

Dr Currie, who became executive vice president of Hughes Aircraft Company in 1983, joined the company in 1954. He left in the 1970s to be under-secretary for research and engineering in the United States Department of Defence.

★★★

JAPAN Aircraft Development Corporation (JADC) has chosen a successor for Mr Kenko Hasegawa, who retired at the end of March.

His replacement is Mr Yotaro Iida, who is president of Mitsubishi Heavy Industries, Japan's largest heavy engineering group. Mr Hasegawa remains a member of the JADC board of directors.

★★★

MR MICHAEL BUCKMAN is to be vice president of passenger sales and advertising for American Airlines, a subsidiary of AMT Corporation.

His successor as president of the airline's SABRE Travel Information Network division will be Ms Kathy Misunas, senior vice president of SABRE sales.

Accountancy Appointments

Arts Week

F	S	Su	M	Tu	W	Th
20	21	22	23	24	25	26

Theatre

LONDON

Cat on a Hot Tin Roof (Lyttelton). Ian Charleson and Lindsay Duncan lead this white hot National Theatre revival of Tennessee Williams's play directed by Howard Davies. Eric Porter, absent from the stage for 12 years, is an electrifying Big Daddy. (928 2252)

The Common Pursuit (Phoenix). Second London chance for flawed Simon Gray comedy about Cambridge graduates in love and publishing. Author directs good young cast of post-Python comedians including Rik Mayall and Stephen Fry. (836 2294, CC 240 9661)

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing. (379 6107)

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair.

The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber. (839 2244, CC379 6131/240 7200).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. (379 5399).

Back with a Vengeance (Strand). Barry Humphries, indisputably the outstanding vaudevillian of the age, has extended his triumphant London season to July 9. Dame Edna Everage has now earned full immunity to good taste, while the bibulous diplomat Sir Les Patterson touches new heights of degradation. (836 2660/4143)

Hapgood (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics to a splendidly taut and clever entertainment. Felicity Kendal is the eponymous intelligence agent, Roger Rees and Nigel Hawthorne in elegant support. Double meanings and double identities abound. (836 6404, CC 379 6233).

NEW YORK

Fences (46th Street). August Wilson hit a home-run, this year's Pulitzer Prize, with the powerful tale of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221 1211).

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set in trendy music is visually startling and choreographically feline. (239 6262).

A Chorus Line (Shubert). The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Les Miserables (Broadway). Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. But it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

WASHINGTON

The Search for Signs of Intelligent Life in the Universe (Eisenhower). Lily Tomlin repeats her Tony-award winning solo performance of the crazy people who inhabit her funny and strange imagination. One major segment explores the women's movement over the past decade. Ends June 26. (254 3670)

CHICAGO

International Theatre Festival. The American debut of the English Shakespeare Company performing the seven Wars of the Roses plays, beginning with Richard II, highlights the month-long schedule of 20 productions from 12 companies representing Spain, France, Ireland and South Africa among others. Ends May 29. (644 3378).

TOKYO

Hanshin (Theatre Apple, Shinjuku). A recent survey indicated that Yume no Yuminsha is the most popular theatre group among today's young generation in Japan. Hideki Noda's productions are complex fantasies with a strong vein of surrealist humour. Noda himself is a high-energy comic performer of great charm and the entire company are skilled in song, dance and acrobatics. Hanshin (half god) is about Siamese twins and attempts to separate them. This is Total Theatre at its most exuberant. Ends May 15.

Kabuki (Kabuki-za). This month's programme features two of the most spectacular works in the kabuki repertoire. At 11am, Iosayama Onna Teikin, has a first act consisting of two plays performed simultaneously. It makes use of two hanamichi (the raised platform which extends into the auditorium) and two sets of singers, one on either side of the stage. One of the pieces in the performance at 4.30pm, Shiranami Gonin Otoko, is an elaborately stylised fight scene. Excellent English earphone commentary. Ends May 27. (541 3131)

Bunraku (National Theatre). The puppet theatre is one of Japan's most refined art forms. Each doll has three operators who remain in sight of the audience throughout the performance, but their presence is soon forgotten, as the narrator at the side of the stage unfolds the story to a musical accompaniment. The bunraku company is based in Osaka and visits Tokyo only twice or thrice a year. Two programmes, at 11 noon and 5pm. English earphone commentary available. Ends May 22. (265 7411).

Beehive (Yubin Chokin Hall). Off-Broadway musical, in English – a spoof on the early 1960s. Ends June 5. (237 9999)

The Wars of the Roses (Tokyo Globe Theatre, Shin-Okubo). The English Shakespeare Company opens Tokyo's newest theatre with Michael Bogdanov's lively and inventive production of Shakespeare's English history plays. The theatre was designed by RIBA gold medallist, Arata Isozaki, as a witty pastiche – pink outside and various shades of grey inside – of the Elizabethan original. A bare stage throws the focus onto the actors and onto costumes that range from medieval through Victorian to punk. Barry Stanton's fine Falstaff in Henry IV is an excellent foil to Michael Pennington's angular Prince Hal. In English. Six plays in repertory. (343 4751).

Opera-za no Kaijin (Nissei Theatre) – better known as The Phantom of the Opera. Andrew Lloyd Webber's latest smash-hit arrives in Japan in a production by Harold Prince for the Shiki Theatre Company which is a virtual carbon copy of his London and Broadway stagings.

Exhibitions

LONDON

The Royal Academy. Cezanne. The Early Years 1859-72. A concentrated and illuminating study of the formative period of one of the greatest artists of the 19th century, who was also one of the great seminal figures of the modern movement. Although he came to his greatness in his middle and later years, his early period, far from being inconsiderable as had been generally supposed, is now revealed in all its complexity and contradictory quality, with many great works to set among the youthful experiments and failures. Ends August 21.

NETHERLANDS

Amsterdam. Tropenmuseum. The arts and crafts of Indonesia, illustrated with more than 500 objects in bronze, bamboo, textiles and precious metals spanning 2000 years of cultural history. Ends August 21.

Amsterdam. Rijksmuseum. Two hundred of the printroom's finest 15th and 16th century ornamental prints, with designs for jewellry, weapons and furniture. Ends June 19.

Amsterdam. Rijksmuseum (rear entrance). Divine Bronzes (some no more than 5cm high) illustrate the stylistic development of Indo-Javanese religious images from the 7th to the 16th centuries and their role in transmitting culture from India and South-East Asia to Indonesia. Ends July 31.

Amsterdam. Jewish Historical Museum. To celebrate the 40th anniversary of the founding of the state of Israel, an exhibition devoted to the theme of light in Jewish ritual, with lamps and menorahs specially commissioned from modern Israeli and Dutch artists. Ends June 12.

Rotterdam. Boymans-van Beuningen Museum. The textiles of Norlene and the glass artistry of Lino Tagliapietra inspired by the Light of the Lagoon and the long tradition of Venetian craftsmanship. Ends May 22.

The Hague. Gemeentemuseum. A lavish exhibition tracing Mondrian's development from figuration to abstraction, together with 70 paintings and drawings from the late New York period, on loan from the Sidney Janis collection. Ends May 29.

Amsterdam. Vondelkerk. The life and work of the Canadian pianist Glenn Gould in an exhibition which includes screenings of legendary video recordings, including some never shown before. (Weekends until June 12). (Vondelstraat 120).

PARIS

Centre Georges Pompidou. Marc Chagall: 46 paintings, 406 drawings and gouaches and nearly all the illustrated books which have been given to the French state in lieu of death duties constitute a unique retrospective of Chagall's life and work. From his beginnings in Russia to his last years in the South of France, aloof from the many avant-garde movements of his time, he remained the painter of poetry, dreams and mysticism. The public thus has a preview of the donation in which the strength of line of his drawings is matched by the glory of colours in his paintings. (42 77 12 33) Closed Tue. Ends June 5.

Galérie Schmit. French masters of the 19th and 20th century. The discreetly luxurious three-storey gallery plays host, yet again, to an exhibition spanning a period rich with creativity and diversity. There is a darkly romantic portrait by Delacroix and an almost abstract Nicolas de Stael landscape. There is a rare Pissarro portrait of his son, Lucien, seated against a window and an early Picasso scene in a restaurant. A still life with a hyacinth and apples by Gaugin surprises by its tenderness, as does Corot's young Italian woman with a red shawl. 396, Rue Saint-Honoré (42603636) closed Sundays and lunchtime. Ends July 16.

Galérie D'Art Saint Honoré. A vast allegory of war and peace painted in the atelier of Jan Brueghel the elder forms a striking centrepiece of an exhibition of Flemish Masterpieces. 267, rue Saint-Honoré (42601503). Ends June 15. Closed Sat, Sun, and lunchtimes.

Pavillon Des Arts. The magnificence of silversmiths' work in India during the reign of the Moghuls testifies to their love of luxury. Everyday utensils like scissors, knives, betel nut and cosmetics boxes are chiselled and adorned with filigree open-work as richly as ceremonial objects and armour. 101, Rue Rambuteau (42338250) closed Mondays and holidays. Ends July 17.

Galerie Odermatt-Cazeau. Guillaumin's deep blue of the Mediterranean framed by green pine trees and orange earth entices the passer-by into an eclectic exhibition of some 50 works by the masters of the 19th and 20th century. A monumental 1937 wooden sculpture by Zadkin watches, totemlike, over a representation of a seated woman by Picasso, a pastel of two dancers by Degas, and another by Gaughin, showing two boys fighting. Monet is there with a Giverny landscape, and an unusually structured Bonnard projects a colourful view of Saint-Tropez through a gap between two tall buildings. 85 Bis, Rue Faubourg Saint-Honoré. (42668258) Ends July 30.

VIENNA

Kunstraum. Messepalast. Alfred Hrdlicka, Austria's leading sculptor, celebrates his 60th birthday with an exhibition of his work, all carved in stone. Hrdlicka is an inspiring and energetic artist who shows no signs of retiring. Ends May 29.

Historisches Museum. Karlsplatz. The cultural legacy of Vienna's Jews which has been preserved by Max Berger, makes up this large exhibition which conveys the sense of loss as much as the community's artistic richness. Ends June 5.

Austrian Museum of Applied Arts. Kunst und Revolution. A rare opportunity to see, under one roof, an exciting burst of creativity by Russian and Soviet artists between 1910 and 1932. There are hitherto un-seen works by Kazimir Malevich, Wassily Kandinsky and Alexander Rodtschenko as well as a fine collection of pre- and post-1917 revolution posters. The exhibition conveys the sense of energy of the suprematist movement (1913-1915), the Inchuk group of artists based in Moscow (1920-1924) and the constructivists (early 1920s) which were all eventually suppressed by Stalin. Closes June 15.

Kunstlerhaus. Public spirit and protest: Biedermeier and Vormarz in Vienna 1815-1848. After the highly successful dream and reality exhibition which looked at fin-de-siècle Vienna, the Austrians have gone back to the Biedermeier period (1815-1848). This is a large and attractive exhibition which evokes the typically Vienna bourgeois mentality. The sense of interior design, especially furniture, during this period is well-conveyed. Ends June 12.

Rathaus. Wien 1938. Vienna's city hall is commemorating the Anschluss, the German annexation of Austria in 1938, with a large and courageous exhibition which shows how Austrians reacted to Hitler's march into Vienna and the eclipse and eventual destruction of the Jewish culture. Ends June 30.

NEW YORK

American Craft Museum. An ambitious show that traces the history of American architecture back to the turn of the century and emphasises the work of artists like Tiffany, Lawrie and Louise Nevelson who were commissioned to add art to the architecture. Ends Sept 4.

Pierpont Morgan Library. Over 300 items from the life and art of Beatrix Potter show the evolution of the artist and her work. Included are the illustrated letter, discovered only months ago, to Noel Moore that became the basis of Peter Rabbit and the entire sequence of 22 watercolours from The Tailor of Gloucester lent by the Tate Gallery. Ends Aug. 21.

WASHINGTON

National Gallery. The human figure in early Greek art is the subject of 67 sculptures and painted pottery starting in the 9th and 8th centuries BC with silhouetted stick figures and ending with the naturalism perfected in the 5th century BC. Ends June 12.

National Gallery. To mark the 350th anniversary of the first Swedish colony in North America, a royal treasury covering four Swedish monarchs in the 16th and 17th centuries will show Sweden as a resplendent and aggressive world power through objects and 100 paintings on loan from the Royal Treasury, the national museum and the royal collections. East Wing. Ends Sept 5.

CHICAGO

Art Institute. A centenary retrospective of the work of Georgia O'Keefe evokes the world of flowers and skulls in the luminous light of New Mexico. Ends June 26.

TOKYO

Tokyo Metropolitan Art Museum, Ueno. Japan in the 1920s. Over 400 works (paintings, photographs, architectural designs, stage sets) tracing cultural and artistic developments in and around the seminal decade when Japan first emerged as an industrial giant. Closed Mondays. Ends June 5.

Ota Memorial Museum, Harajuku. A peaceful haven amid the hustle and bustle of one of Tokyo's trendiest districts. This month, a representative selection of woodblock prints by everyone's favourite Japanese artist, Hokusai. On loan from the Peter Morse collection in the US. Closed Mondays. Ends May 29.

Tokyo National Museum, Ueno. Art Treasures of Ancient Egypt. The formal, hieratic art of Egypt is not to everyone's taste, and works often appeal more for their associations with the cult of death or for their lavish use of gold and other precious materials. This exhibition gathers important pieces from collections in East Germany. Closed Mondays. Ends June 12.

Tokyo Metropolitan Art Museum, Ueno. Japan in the 1920s. More than 400 works (paintings, photographs, architectural designs, stage sets) tracing cultural and artistic developments in and around the seminal decade when Japan first emerged as an industrial giant. Closed Mon. Ends June 5

Teien Museum, Meguro. Art Deco Glass by René Lalique. This former imperial residence has one of the finest Art Deco interiors in the world. Among its many treasures is a set of glass doors with relief figures of winged goddesses, designed and made by the master of Art Deco glass, René Lalique (1860-1945). The current exhibition is a perfect match. It consists of some 200 examples of Lalique's work, from private collections in Japan and overseas. The quality is uneven, with the notable exception of pieces loaned by Lalique's grand-daughter, but the setting is unparalleled. Closed April 27. Ends May 29.

ITALY

Rome. Galeria Nazionale d'arte Moderna. The "Deutsch-Romer" – German Artists and the Italian myth (1850-1900). Over 100 works, paintings, sculptures and drawings (including a large allegorical fresco originally done for the Stazione Zoologica in Naples) showing the fascination that Rome and its still unspoilt surroundings still exerted on the minds of German Romantics, some sixty years after Goethe's first visit, with works by Arnold Bocklin, Anselm Feuerbach, Adolf von Hildebrand and Hans von Marees, of whom the first is by far the most interesting. Bocklin's "Pan Frightening a Shepherd" vividly conveys the sinister intensity and stillness of the midday heat in an arid and desolate landscape (Palestrina, south of Rome). De Chirico paid homage to his "Odysseus on the Shore", and Strindberg much admired his "Island of the Dead". Also here is his dramatic self-portrait: a healthy 45 year old, with Death playing a violin over his left shoulder. Ends May 29th.

Venice. Palazzo Grassi. The Phoenicians: The fourth major exhibition at Fiat's imposing arts' centre on the Grand Canal attemps to give a complete picture of this extraordinary people, about whom few know much, who dominated trade in the Mediterranean for over 1000 years before their capital, Carthage, was finally destroyed by the Romans in 146 BC. Organised by Professor Sabatino Moscati and sponsored by the Accademia dei Lincei in Rome, the exhibition has been given a highly theatrical presentation by the architect Gae Aulenti. Sarcophaghi project at odd angles from a pile of pink sand on the ground floor of the Palazzo: in an upstairs room, model ships stand immobile in a rippling artificial lake, and a huge polystyrene wave engulfs a Phoenician wreck. Not particularly legible graffiti run across the walls – comments on the Phoenicians by contemporaries and later writers. Many of the 1200 objects displayed (gold and silver jewellery, statues and reliefs in terracotta, bronze and ivory) are extraordinarily beautiful, and the 750 page catalogue, published by Bompiani, is excellent. (Until Nov 6).

Venice. Fondazione Cini (Isola di S. Giorgio). Paolo Veronese. An intelligently presented exhibition to mark the fourth centenary of his death, two-thirds of which is devoted to his preparatory studies for his major works in Venice. The last few rooms contain 22 paintings, including several masterpieces lent by American and European Museums. Until July 10.

WEST GERMANY

Cologne. Romisch-Germanisches Museum. Caesar's Glass. This exhibition is the most important display of Roman glass ever staged. It covers the period from Caesar to Justinian, from the first century BC to the 6th century AD. The 162 pieces are mainly goods from everyday life. The show is a joint project between the Corning Museum of glass, New York, the British Museum, London, and the Romisch-Germanisches Museum in Cologne. The exhibition is sponsored by Olivetti and runs until August 28.

Cologne. Museum Ludwig. Bischofsgartenstrabe 1. "Picasso in the second World War". 120 paintings, drawings and sculptures covering the period from 1938 to 1946, showing the painter's influence on artistic life after the war. Ends June 16.

Opera and Ballet

NETHERLANDS

Amsterdam, Muziektheater. The Netherlands Opera in Die Entführung aus dem Serail by Mozart, directed by Helmut Polixa. The Netherlands Philharmonic, conducted by Hartmut Haenchen, with Birgit Fandrey (Konstanze), Oliver Tobias (Bassa Selim). Wed (255 455).

ITALY

Milan, Teatro Alla Scala. Rudolf Nureyev and Carla Fracci in La Sylphide conducted by Michel Sasson; Flemming Flindt's choreography and scenery and costumes by Luisa Spinatelli (Sat, Sun). Again on Wed, but danced by Anita Magyari and Laurent Hilaire. On Tues, Thurs, Donizetti's L'Elisir d'Amore produced by Andrée Ruth Shammah and designed by Giorgio Cristini. Guiseppe Patane conducts a cast which includes Carmela Apollonio, Alida Ferranini, Enrico Fissore, Alberto Rinaldi and Goesta Winbergh. (80.91.26).

Rome, Teatro Dell'Opera. Enrico's successful production of Richard Strauss's Salomé, conducted by Wolfgang Rennert with Lia-Rabine in the title role (alternating with Edda Moser), Horst Heistermann and Elizabeth Glanser (Sat). Also (Sun, Wed) Rossini's Mose produced by Pier Luigi Pizzi and conducted by Paolo Olmi. Ruggero Raimondi leads a cast which includes Ezio di Cesare, Simone Alaimo, Rockwell Blake, Jenny Drivala and Gloria Scalchi.

Naples, Teatro San Carlo. First performance of a new ballet by Vladimir Vassiliev, danced by the choreographer and Ekaterina Maximova, conducted by Peter Maag. (Thurs) (417.144)

Turin, Teatro Regio. La Traviata, with the American soprano Barbara Daniels as Violetta, Dano Raffanti (Alfredo) and Leo Nucci (Germont), conducted by Nello Santi (to be replaced with Daniela Longhi, Paolo Barbacini and Licinio Montefusco at some performances). Pleasant conventional production by Alberto Fassini, designed by Pierluigi Samaritani. (Fri, Sun, Wed) (548.000)

Genoa, Teatro Margherita. Tosca, conducted by Daniel Oren with Raina Kabaiwanska alternating with Adriana Morelli in the title role, Guiseppe Giacomini and Silvano Carroli, produced and designed by Attilio Colonnello (Sun,Tues,Thurs) (589.329)

Venice, Teatro la Fenice. The Kirov Ballet in Swan Lake (choreography by Petipa/Ivanov-Vinogradov version) (Tues, Wed). The Kirov in a Gala programme which includes Bajaderka (choreography by Petipa and music by Ludwig Minkus). Divertissement from the ballet Paquita by Petipa, and contemporary works by Bejart, Eifmann and Oleg Vinogradov. (5210161)

Florence, 51st Maggio Musicale. First performance of a new opera by Sylvano Bussoti, L'Ispirazione, produced by Derek Jarman and designed by the composer. The cast includes Julia Conwell, Anastasia Tomaszewska Schepis, Tilda Swinton and Richard Cowgan, conducted by Jan Latham-Koenig. (Thurs).

WEST GERMANY

Berlin, Deutsche Oper. Aida has fine interpretations by Cristina Angelakova, Julia Varady, Matti Salminen and Ingvar Wixell. Siegfried brings Gwyneth Jones, Gerd Brunneis and Simon Estes together. Dimitri Shostakovitch's opera, Lady Macbeth von Mtzensk is offered with Karan Armstrong, Kathryn Montgomery-Meilner, Dimiter Petkov and William Pell. A Brigitte Fassbaender Lieder recital closes the week.

Hamburg, Staatsoper. Cav and Pag is steered in triumph by Bruna Baglioni, Giorgio Lamberti, Franz Grundheber, Natalia Troitskaya and Wladimir Atlantow. L'Elisir d'Amore features Marie McLaughlin, Franz Grundheber and Rolando Panerai. Le Nozze di Figaro has Linda Plech, Eva Maria Tersson and Peter Galliard. Il Barbiere di Siviglia with Hellen Kwon, Eva Maria Tersson and Geoffrey Moses.

Cologne, Opera. Carmen is respectable with Victoria Vergara, Harald Stamm and Martin Finke. Don Pasquale is a well-done repertoire/performance. Also this week, a Barbara Hendricks Lieder recital, accompanied at the piano by Roland Pontinen.

Bonn, Opera. Tosca in Giancarlo del Monaco's production has a strong cast led by Teresa Zylis Gara, alternating with Grace Bumbry in the title role, Guiliano Ciannella and Juan Pons. La Gioconda, in a concert version, will be conducted by Eugene Kohn and has Eva Marton outstanding in the title role. Die Meistersinger has Rene Kollo as Walther, Bernd Weikl as Sachs and Lucy Peacock as Eva.

Frankfurt, Opera. This week's highlight is Tosca, in Jean-Pierre Ponnelle's production with Galina Savova in the title role, Louis Lima as Caravadossi and Ingvar Wixell as Baron Scarpia. Le Nozze di Figaro features Hildegard Heichele, Nan Christie, Wolfgang Schone and Tom Fox. Also offered a Hans-Peter Blochwitz lieder recital and William Forsythe's ballet, Impressing the Czar.

Stuttgart, Opera. Otello, conducted by Garcia Navarro, convinces thanks to Julia Varady, Desdemona. Tannhäuser has Verna Scheizer, Waltraud Meier, Matthias Holle and Toni Kramer as leads. Madame Butterfly rounds off the programme.

Munich, Bayerische Staatsoper. Der Widerspenstigen Zahmung, choreographed by the late John Cranko. The rarely played Die Sache Makropulos, by Janaček will be offered for the first time in Munich with Hildegard Behrens, Astrid Varnay, Kenneth Riegel and Claus H. Ansjo. Hoffmanns Erzählungen stars Julie Kaufmann, Trudeliese Schmidt, Elena Cotrubas and Siegmund Nimsgern.

Music

PARIS

Petits Chanteurs de Paris and the Orchestre Nationale d'Ile de France, conducted by Jose-André Gendille: Bach, Fauré, Wagner, Schubert (Tue) Saint-Roche church, (43619326).

Polish Classical Philharmonic, Duparc, Wagner, Chausson, Saint-Säens (Tue) Salle Pleyel (45638873).

Annie Fischer, piano, (Wed) Salle Pleyel (45638873).

Nouvel Orchestre Philharmonic, conducted by Marek Janowski, Mozart, Stravinsky, Schoenberg (Wed) Théâtre Des Champs Elysées (47203637).

Orchestre de Paris, conducted by Peter Eotvos, BBC choir and Maitrise des Hauts-de-Seine: Byrd, Bruckner, Amy (Thurs) Salle Pleyel (45638873).

ITALY

Florence, 51st Maggio Musicale, Teatro Della Pergola. Pianist Tatiana Nicolaeva playing the complete cycle of Shostakovitch's preludes and fugues (Tues, Wed) (2779236)

Milan, Teatro Alla Scala. Recital by soprano Mariana Nicolesca accompanied by Robert Ketteison singing Haydn, Schubert, Brahms, Liszt, Massenet and Bellini (Mon) (80.91.26)

Genoa, Teatro Margherita. A recital by soprano Shirley Verrett conducted by Kenneth Montgomery (Sat) (589.329).

Naples, Settimane Musicali Internazionali. Museo Pignatelli, Musica d'Insieme, led by violinist Salvatore Accardo playing Tchaikovsky and Schubert (Fri, Sat) (417.144).

NETHERLANDS

Amsterdam, Concertgebouw. Robert Holl, baritone, accompanied by Rudolf Jansen: Schumann, Pfitzner, Wolf (Wed) (718 345).

The Hague, Philipszaal. Anton Kerjes conducting the Netherlands Philharmonic chamber ensemble: Prokofiev, Farkas, Dohnany, Ligeti, Janaček (Wed) (60 98 10).

Utrecht, Vredenburg. Jorge Bolet, piano with the Hague Philharmonic under Bruno Weil: Rachmaninov, Franck (Tue). (31 45 44)

NEW YORK

New York Philharmonic, Zubin Mehta conducting Mussorgsky/Ravel (Mon); Zubin Mehta conducting Mahler (Tue); Zubin Mehta conducting, Jeanne Baxtresser flute: Zwilich, Mennin (world premiere), Mussorgsky/Ravel (Wed). Avery Fisher Hall (874 2424).

Atlanta Symphony, Brahms programme (Wed). Carnegie Hall (247 7800).

Sigurdson and Scriggins, Cello and french horn duo recital: Brahms, Bernard-Haiden (Wed 12.30, free) Juilliard Concerts at the IBM Garden Plaza. 56th and Madison.

ARTS

Cinema/Nigel Andrews

Depression-gripped

Ironweed (15) Odeon Haymarket
Ivan's Childhood (PG) Renoir
Cannes Film Festival

In the first scene of *Ironweed* there appears, from under a pile of old newspapers on a darkened pavement, Jack Nicholson. His hair messy and his "Old Nick" smirk camouflaged by snowy stubble, he rises from stupor, dusts himself down and stumbles into the role of Francis Phelan: deadbeat, drunkard and Irish-American anti-hero. The time is 1938. The place, Albany, New York.

Enter to him a few scenes later, in a filthy bar, Meryl Streep. With waxen face and nose pinched red with cold, she looks as down-and-out as he. She wears a green coat with a tatty fur collar and an ancient Burgundy-coloured cloche hat. She is Francis's pal and sometime mistress, Helen.

I tell you the characters' names, for otherwise you might think *that* this is what Streep and Nicholson have come to after the box-office receipts for their last film together, *Heartburn*. *Ironweed* is the movie of William Kennedy's Pulitzer Prize-winning novel about the Depression and it is directed by Brazilian Hector Babenco (of *Kiss Of The Spider Woman*) with a stupefying solemnity. It is scripted by Kennedy himself — O fatal move! When novels are adapted, few people are more in awe of a writer's work than the writer himself – the movie glooms along for 2¼ hours in burlap colours and with Stygian lighting. It is less like Kennedy's novel, with its quick Irish malice and sidelong wit, than a story of yesterday's material and spiritual Depression Hollywoodised as a cumbrous allegory about today's. (Yuppies, gaze and learn. Wall Street whiz-kids, quake).

After some promising early surrealism – in the first shot the camera cranes above clouds of train steam into a starry-painted night sky – the movie becomes awesomely earthbound. Its principal strategy is to have Nicholson walk or talk virtually without pause for the whole duration. Through Depression-gripped Albany he wanders, begging ciggies, swigging bourbon, buttonholing pals and punching enemies.

He hobnobs with his hobo best friend (Tom Waits). He remembers good times with Streep's faithful Helen, who still cuddles up to him when not giving hand-jobs to the man whose abandoned car she sleeps in. He has the occasional luxury of a tormented flashback: to the boyhood day in 1901 when he accidentally killed a scab worker with a stone during a transport strike. And finally he revisits his estranged wife Carroll Baker, whom he left after inadvertently dropping their baby and killing him. (As Lady Bracknell might say, one accidental killing in a lifetime is unfortunate: two seems like carelessness.)

Nicholson squeezes out his acerbic monologues between clenched cheekbones, more than usually resembling a Cheshire Cat with a Nebraska accent. And Streep has clearly seized the role of Helen as another chance to show her mistress-of-disguise talents. She speaks with a raddled, throaty whisper, she walks like a drunkard who has taken vain deportment lessons, and she even bursts into song in one scene. "He's me pal, he's me pal!" she croaks tunefully to the assembled drinkers in the bar, for all the world as if auditioning for a tramp-theatre production of a Lionel Bart musical.

Babenco's direction treats all this actorish lunacy with respect and supposes that we should do the same. But long before the film's end, we are wondering if the Depression could ever really have been like this, and if so how truly depressing it must have been.

*

Cinephiles can console themselves by charging off to Andrei Tarkovsky's *Ivan's Childhood*. The late Russian master's first film, made in 1962, is dusted off to show that a great director's work never ages.

Tarkovsky prints images straight onto our unconscious. Here is the boy hero (Kolya Burlyaev) baptised into adulthood by the violence of World War 2. Here is the first momentous murmur of Tarkovsky's obsession with innocence, memory and redemption. And here is an early glimpse of the Tarkovsky style: the wild primeval forests, the towns like charred necropolises, the heavens gazing at their own reflection in the earth's mirroring pools and lakes. This poet of modern cinema has no like and no reflection, and you should seize this chance to see one of his rarer films.

*

The 41st Cannes Film Festival has passed the half-way stage, and there are still many festival-goers wondering when it will begin. This has been a tough year on the Cote d'Azur. Even if the critic survives experiences like Thomas Brasch's *Welcome To Germany* (Tony Curtis in a white wig as a Jewish holocaust survivor turned big-time film director) or Mike Figgis's *Stormy Monday* (Melanie Griffith and Sting trading *film noir* cliches in a Newcastle-set British thriller), he can run foul of Chinese movies about lovable rural communes (Chen Haige's *King Of Children*), French movies bringing Antonioni stylistics to North Cameroon (Claire Denis's *Chocolat*) or American movies turning Richard Gere and Kevin Anderson into an all-male Bonnie and Clyde for the era of farm foreclosures (Gary Sinise's *Miles From Home*).

Though Cannes has been due for a bad year, after two good ones in succession, questions must be asked about this year's selection of films. Chiefly: why were they selected? Only two entries in the main programme have so far boasted any distinction. One is Bill Couturie's moving documentary *Dear America*, anthologising letters written home by U.S. soldiers during the Vietnam war. Over footage of the war and glimpses of the growing opposition to it back home, the voices of Robert De Niro, Willem Dafoe, Michael J. Fox and others read aloud the thoughts of men about to die or whose friends are doing so daily. The impact is overwhelming: the portrait of a nation's wasted youth calling out to a country blind in its military self-righteousness. The film will not win the Golden Palm – it is showing out of competition – but it emphatically won the hearts and minds of audiences.

Poland's *Thou Shalt Not Kill* is also about death: a powerful poison-pill fable about capital punishment. Assigned the subject of murder in a series of ten Polish films being made about the Ten Commandments, film-maker Krzysztof Kieslowski (of *Camera Buff* and *No End*) took a true-life case: a boy hanged for brutally murdering a taxi driver. Dramatising it in a curt, graphic 80 minutes – the shortest movie in a competition loaded up with 2½-hour juggernauts – he has created a film whose chilling neutrality recalls Capote's *In Cold Blood*.

Neither the private murderer (the boy) nor the public murderer (the State) is allowed any special pleading. Yet the film, shot in a searing near-monochrome and pointing a fierce light at both parties, seems to burn away layer upon layer of emotional and psychological camouflage. We know the characters by the movie's end. But more importantly, and more frighteningly, we also know their and our helplessness in the face of the elusive mysteries of human evil.

Kieslowski's film, which is in competition, could well scoop the top prize. If there were a 1988 So-Near-And-Yet-So-Far award, on the other hand, it would have to be shared between Chen Haige's *King Of Children* from China and Vincent Ward's *The Navigator* from New Zealand.

Haige's film, the eagerly awaited latest from the director of *Yellow Earth*, displays thrilling early promise: landscapes magically woven of mist, soaring green cliffs and clusters of bare trees reaching like hands to the sky. But the promise is brief. Once the story and its message hit us – how the nice young teacher comes to the rural village to humanise the kids and overturn pre-Maoist teaching dogmas – we know we are in for 90 minutes of little red thoughts in a lavish green landscape.

The Navigator begins even more promisingly. We are in plague-torn Mediaeval Europe, filmed in black-and-white with rolling cloudscapes, rearing crags and cliffs, and apocalyptic moons. Can the peasant boy Griffin, his older brother Connor and their ragged army of friends perform the appointed miracle, foretold in the boy's dreams, which will end disease and tragedy?

Short answer: yes. Long answer: only after the movie has come down to Earth with a bruising bump. Hopping about between hemispheres and time zones (we visit a modern Australian city and have a nasty shave with a nuclear sub), the film and its characters treat the magic carpet of cinema as if it were a second-hand car to be driven punishingly and carelessly in any direction. But magic in the movies is precious: so precious it should be rationed. When everything is possible, nothing is interesting.

Possibilities at Cannes are now reduced to four more days' moviegoing. It is still anyone's Golden Palm. But with Peter Greenaway's *Drowning By Numbers* and Chris Menges' *A World Apart* still to come, many sage Cannes veterans are putting money on a British winner.

Scene from Andrei Tarkovsky's 1962 film, "Ivan's Childhood"

Valerie Masterson/Wigmore Hall

Rodney Milnes

Valerie Masterson singing "Depuis le jour" is one of the most delectable of musical experiences, whether in the ENO's all-too-short-lived production of *Louise*, or indeed at her Wigmore Hall recital on Wednesday. There is a tenderness, a generosity of feeling, a depth of understanding of the sentiments expressed that must touch all but the stoniest hearts, the whole floated on an unbroken arch of melody and with words conveyed through French that is not just faultless but coloured in an indefinably smoky way, at once innocent and troublingly sensuous.

This magic performance was the weightiest moment in a frankly popular recital in aid of the Catholic Stage Guild's Benevolent Fund. Popular, but highly accomplished. However much the spirits may momentarily quail at the prospect of such trifles as Zeller's "Sei nicht bös," "Vilja" and *The Chocolate Soldier*, once Miss Masterson has launched into them total surrender is the only answer, so subtle, so stylishly understated is the art she lavishes on them.

Understatement is both her strength and, perhaps, her weakness – or rather ours: it is all too easy to overlook the freight she brings to, say, "Caro nome," suggesting the dangers as well as the rapture of first love with momentary darkening of tone colour in amongst the perfectly voiced coloratura. But her technique is strength and strength alone, enabling her to start the evening with "Let the bright Seraphim" (some warm-up!), though to be honest it did – as sometimes in the theatre – take a number or two for the voice to settle down, for the tone to find its true and considerable weight, for pitch to be absolutely secure.

The beautifully sustained line in Rusalka's Song to the Moon prepared one for her first Donna Anna next year in Glasgow, at first sight a surprising assumption. But Miss Masterson is still coming into her prime, and may have many a surprise up her sleeve for us yet. Her range is prodigious.

Noel Davies was her helpful, forthright accompanist.

Ballet du Nord/Brighton

Clement Crisp

The Brighton Festival has invited the Ballet du Nord, from Roubaix, to appear this week at the Theatre Royal. It is to the credit of Alfonso Cata, director of the troupe, that he believes – as should every rational ballet-master – in Balanchine. Thus his programming, for the first of two repertory selections on this visit, features *Square Dance* and *Four Temperaments* to frame a work by Cata himself.

Square Dance, with string concertos by Vivaldi and Corelli supporting the patterns of American social dance, is not an easy piece to bring off. Wednesday night's cast were well-intentioned, clean in schooling, albeit placid where they should have been rhythmically snappy: the energies of square dancing are shaped but not tamed by Balanchine. I admired the precision of Margaret Torrini in the ballerina role.

Four Temperaments looked rather more authentic in style: neat if not gaudy in its tensions, though like many another troupe presenting this masterpiece, the Ballet du Nord tends to iron out those fascinating physical kinks and dislocations of academism that give the special flavour to the movement. Of the four temperaments personified, Henri Mayet was outstanding as Melancholic: he made the droopings and depressive falls of the dance seem apt and clear.

From the ensemble a respectful and decent account of the text: would that we could think of a regional company in Britain so well able to dance Balanchine with such honest classic style, or indeed one so securely schooled.

About Mr Cata's own *Insane* I report that it is danced to some tiresome minimalist outpourings by Joshua Fried, that the cast play musical chairs, wear sacks for part of the time, and explore their emotions interminably. They also dance well, but the piece long overstays its welcome.

The programme book is a disgrace. It is riddled with inaccuracies as to dates, names, and uncommunicative as to casting. Notes about the repertory appear ill-translated from French, and the whole is drearily designed. Both the festival and the theatre should be ashamed, and sponsors TSB Trustcard should feel miffed. In Toronto recently the National Ballet of Canada produced as usual a large-format and very informative 124 page programme. Free.

Douglas H. Jeffery

Donald Sinden and Anna Carteret

Major Barbara/Chichester

Martin Hoyle

The second production of this year's Chichester Festival is a peep through Shaw's paradoxical quizzing glass at the benign face of what we now call the enterprise culture. The armament millionaire's assertion that money governs England seems more timely than ever, though his conclusion that people should be cushioned against trouble and anxiety would doubtless prompt sneers at the nanny syndrome from those who pay the piper in their counting houses today.

Donald Sinden plays the arms king with a streak of tigerish ferocity and thumping didacticism that evoke Gradgrind more than, say, the Rowntrees. This is consistent with a production (Christopher Morahan) low on lightness, weak on wit. Such buoyancy as there is also comes from Mr Sinden, too good a *trouper to waste the plutocrat's* response on being told he cannot buy his daughter, a Salvation Army major. "No, but I can buy the Salvation Army!" he booms with superb relish.

Anna Carteret makes a bright, blank Barbara. A trim, self-sufficient beauty, she rarely shows more than mild peevishness or *preoccupation*, a blandly adequate performance. Her intended is Paul Shelley, lumbered with a major share of Shavian whimsicality as the unworldly classics don who inherits a business empire. He has the right scholarly mannerisms and natural intelligence, and might be outstanding with a director who knew how to make the skittishness less embarrassing.

For, no doubt about it, the play's points – and they are valid – struggle to show through the flab of verbosity, not least in that interminable final scene with its false climaxes and premature endings. On the first night the scene was enlivened by Mr Sinden rushing on with the words "Good news from Manchuria!" only to have a ramp collapse under him (he carried on regardless), but one cannot rely on the occurrence repeating itself.

In fact, the grubby concrete blocks dominated by the massive cannon formed the least successful of Gerard Howland's sets: no hint of the William Morris Utopian new town that gratifies both morality and materialism. Elsewhere the designs are conventional, though the more or less smooth scene changes are intrusively applauded.

Robert Longden's silly ass – is he ever given the chance to play anything else? – is more portly than of yore, and Anne Teesdale's Jenny is a frightfully pukka little Sally Army lass – an unsuitable directorial quirk?

As her assailant, Richard Riddings makes a vivid, powerfully projected East End thug. His exit won a round of applause. Chichester is like that; besides, in a dull production he deserved it.

The Winter's Tale/Cottesloe

Michael Coveney

Brief notes on the first of Peter Hall's farewell productions at the National Theatre carry a melancholy message. A rigid formality has engulfed the occasion, robbing it, so far at least, of magic, delight and passion. Lots of ranting and shouting, especially from Peter Woodward's Polixenes, and a preponderance of inferior small part playing on the greensward at the sheep-shearing festival.

The design of Alison Chitty is obviously causing problems. A bare boards floor, reaching Kabuki-style into the front few rows, is backed off by a classical portico and an expanse of painted sky. Costumes are elaborately Elizabethan, russets and browns for the courtiers yielding to royal reds and purples. A tilting disc, hinged in the centre, will flip over for Bohemia, where everyone sports, dispiritingly, regulation smocks, straw hats and Mummersetshire accents.

A golden Renaissance astrological sky tilts, too, for the portentous progress of Old Father Time in a long beard. Where is the lightness and flexibility of verse speaking and playing encouraged by Hall in his early RSC days? I can select only one performance here truly worthy of praise, and that is Eileen Atkins's as Paulina, a protective bastion of caring decency who displays most movingly at the end the secret with which she has lived for 16 years.

Classical statues stand around on plinths, suggesting that the sculptor Romano has had a few commissions already. The sombre decency of all this nearly topples into bathos during the trial scene, Sally Dexter's Hermione put on a pedestal while the oracle of Apollo is removed from a phallic tube and listened to by a crowd of elders in funny Venetian square caps. Everything is buttoned up, stiff and tense.

None tenser than Tim Pigott-Smith as Leontes, a rather sturdy bore with close-together eyes and a mean, clenched mouth. He grips his ribs as the *tremor cordis* hits, and stays thereafter in a sort of haughtily arthritic condition owing more to political hubris than gnawing jealousy. No sign here of the sheer manic ridiculousness of Leontes, and no sign either at the end of a penance endured or weakness acknowledged.

It remains to be seen whether the company can loosen up in *The Tempest* and *Cymbeline* and how far the trilogy will justify Hall's claim for them as vigorous, experimental works. It doesn't seem like that yet, though Ken Stott looks menacing as Autolycus. The great reunion of houses is recounted by John Bluthal with more scything of air and flapping of hands than a china salesman in Petticoat Lane, pretty typical of overall standards.

Hamlet 88/Half Moon

Claire Armitstead

Hamlet is a theme with many variations, few as audacious as the one Cleveland Theatre Company brought to the East End for three days last week (May 16-18) as part of their latest tour. Not since Sarah Bernhardt and her wooden leg has a more unlikely heir succeeded to the role of Shakespeare's much-troubled prince, yet Nabil Shaban does so with a forcefulness that blasts holes in the sturdiest prejudice. His Hamlet is abrasive, ugly, guttural and quite the most interesting thing in a generally gimmicky show. Huddled toadlike in a wheelchair, he whizzes and whirrs around the stage, his eyes glittering with exultation. He is a man who does not need his dead father's promptings to want revenge on the world.

The idiom of Alasdair Ramsay's cut-and-paste production is a modern state in which power and technology have become inseparable. The Danish court is holed up in a security bunker while film footage shows Fortinbras landing his troops by helicopter outside. It is a realm stripped of privacy and spontaneity, in which spies cluster around video screens. Glenn Cunningham's Claudius is a handsome cipher, who has made maximum political mileage from his show wedding to Kate Dove's seemly Gertrude, while Adrian McLoughlin creates a Polonius who is a cross between bank manager and a high-up in presidential PR.

Adaptor Hugh Hayes has set about the play with a butcher's knife, prefacing the action with Hamlet musing whether to be or not to be, as his mother and Claudio embrace on a bed. The chops are, if anything, more flagrant than the changes: given the emphasis on surveillance, why cut out Rosencrantz and Guildenstern, since their absence clearly leaves a serious plotting problem? On the other hand, the transformation of the gravediggers' scene into a game between Horatio and Hamlet over a corpse-bearing stretcher has a perverse logic, which somehow survives the extraction of Yorrick's skull from the plastic zipper-bag. Greta Michaelson's Ophelia, a froth of bridal white, adds a little bit of heart to a production which certainly doesn't major in humanity.

Saleroom/Antony Thorncroft

Musical merry-go-round

An enormous French organ, the size of a London double decker bus, sold at Sotheby's yesterday for £132,000 to Seibu, the Japanese department store. It was a record for any mechanical musical instrument. The organ had been built in 1900 by Limonaire Frères for the Paris Exhibition of that year, and for many decades provided the music for fairground merry-go-rounds. It was re-discovered in 1965 and meticulously restored, and has since provided the music for three EMI albums. The price was within estimate.

Seibu also acquired a cylinder musical box of 1885 for £31,000. It was made in Switzerland around 1885 and employed the plerodienique movement. Among the dolls on offer was a rare "Circle and Dot" Bru bébé, made in France around 1875: it went for £14,850. A similar made £12,100.

The American dealer Richard Wright, best known as the driving force behind the Teddy Bear price explosion, paid £9,900 for a Bru jeune black bisque doll of the same period – black dolls are traditionally less popular at auction, but this sold at the top of its estimate. Among the Teddy Bears a Steiff yellow plush bear, quite late at 1920, sold to an American collector for £4,620, way above its £700 top estimate. He bought it because his young daughter fell in love with the bear at the auction preview. The sale of dolls, bears, and mechanical instruments realised £418,693 in the morning session with 8 per cent unsold.

Sotheby's also had success overseas. Its sales in Hong Kong came to a end with an auction of Chinese modern paintings which produced a record total of over £1m and a top price of £68,276 for "Self portrait in a landscape," a hanging scroll in ink and colour dated 1934 by Xu Beihong, while in Munich German pictures produced two worthwhile artist records, the £299,408 paid for a view of the Opera in Berlin in 1845 by Eduard Gaertner, and the £110,851 for a landscape by Caspar David Friedrich, which was a record for a Friedrich watercolour.

The auction is important because Germany, for all its wealth, has never taken to the operations of the international auction houses, but after 1992, when the trade barriers in the EC disappear, it must be ripe for exploitation. Sotheby's is obviously testing the water.

Christie's managed its own artists' records in New York on Wednesday when a portrait of a young man placing bizarre objects like shells and flowers on a musical cleft by Remedos Varo sold for £206,989. Even so it was slightly disappointed by the price. The total of £2,414,854 for Latin American art, with 10 per cent unsold, was impressive.

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High cost of farm support

AGRICULTURAL ministers are the sorcerer's apprentice of economic policy. By 1982, the governments of the industrial countries had become sufficiently worried about their activities to ask the OECD to find out. The resulting report, National Policies and Agricultural Trade, containing detailed calculations of agricultural assistance for 1979-81, was presented last year. Apparently undaunted by the enormity of the conclusions, ministers asked for the numbers to be updated. The excellent report on a most disturbing situation released by the OECD this week is the reward for their curiosity.

The ministerial communiqué of May 1987 stated that "the long term objective is to allow market signals to influence, by way of a progressive and concerted reduction of agricultural support. . . the orientation of agricultural production." The value of the OECD report is not just that it shows how far governments have to go. It shows that, declarations notwithstanding, they have been going in the wrong direction.

Between 1979-81 and 1984-86 the overall cost of support to the agricultural industries of the OECD countries doubled to around Ecu 200bn a year (£130bn at current exchange rates). To put the number in context, assistance to agriculture exceeded net official development assistance from OECD countries by some 250 per cent.

Rising share

The centrepiece of the OECD report is the measurement of the producer subsidy equivalent (PSE) of agricultural assistance. For almost all countries the PSE has been rising as a share of farm income. Between 1979 and 1986 the ratio had risen from 14.7 per cent to 35.4 per cent in the case of the US, from 44.3 to 49.3 per cent in the case of the European Community and from 64.3 to 75 per cent in the case of Japan. The average annual cost of agricultural policy between 1984 and 1986 is estimated at Ecu 80bn in the EC (£52bn at current exchange rates), Ecu 79bn in the US (£51bn) and Ecu 50bn in Japan (£33bn). In all three cases the total costs far exceed the budgetary costs, on which the political debate tends to focus.

What do these numbers mean? The PSE shows what proportion of total farm income comes from the state, either directly or through price supports. In the EC, for example, half of farm income was "earned" through the intervention of the state. In Japan no less than three quarters of farm income came in this way and even in the US the state's contribution was 35 per cent.

Farmers like price support because, they argue, support unrelated to production is charity. The calculations reveal this argument for the absurdity it is. The problem with the assistance is that it is not given to those who most need it: small farmers on marginal land. On the contrary, systems of price support concentrate their benefits on owners of large, productive farms.

A treadmill

Some sense of the treadmill on which governments find themselves can be gleaned from the OECD report. For example, "higher PSEs are to an extent a reflection of lower world prices which are in part created by domestic support policies". Aghast at the budgetary cost of farm support, some governments have limited market access still further, so shifting more of the cost back on to consumers. In a desperate attempt to control the output consequences of high prices governments are constrained to introduce complex systems of output control — or — more ridiculous still — to reward farmers for not taking advantage of over-generous production incentives.

Rarely in the field of economic policy has so much been lavished by so many upon so few. In the context of such absurdities, it is difficult to believe that the declaration on agricultural trade from 26 agricultural experts, sensible though it is, will have much effect. There will come a time, however, when economic historians will marvel at the insistence of the representatives of the EC and Japan that the national interest is served by wasting resources in agriculture. Unfortunately, the discussion this week at the OECD ministerial meeting in Paris shows that the time is not going to come very soon.

How to bridge the training gap

MR KENNETH Baker, Britain's Education Secretary, has called on the Chancellor to introduce new tax reliefs to encourage training and skill formation in industry. A study sponsored by his department shows that the British tax regime for training is harsher than those in most competitor countries, particularly when employees foot the bill.

The call for tax concessions is a logical move for Mr Baker. Numerous studies indicate that the UK puts fewer resources into training than most other leading industrial countries. The consequent "training gap" has preoccupied ministers since the early 1980s. Yet although the Government has substantially increased its own investment in skill formation, via programmes such as the Youth Training Scheme, it has failed to persuade industry to match its efforts. Mr Baker's argument is that, if employers will not finance the necessary investment, the Government should help employees take matters into their own hands.

There is a rationale for employers' reluctance to invest adequately in training. Companies own the plant and machinery they invest in and so are certain of reaping the benefits in the long run. But they do not own their workers and so cannot be sure that, once trained, they will not take their skills to a rival employer. Governments can overcome this "market failure" by imposing training obligations on all employers. But ministers, understandably, fight shy of such coercion. When the policy amounts only to exhortation, it makes sense to focus new training incentives on employees.

A dim view

The Treasury, however, is likely to take a dim view of Mr Baker's request. Mr Lawson scrapped tax incentives for physical investment. Why should he be any more sympathetic to concessions for investment in human capital? Moreover, he is strongly identified with the general strategy of "fiscal neutrality." The Treasury has been striving to create a level playing field by eliminating special reliefs for "worthy" activities. Reliefs tend to outlive their usefulness — concessions for pensions and home ownership are prime examples.

Mr Baker could reply that the Treasury is more than willing to drop its principles to back a cause it believes in. Mr Lawson did not grudgingly concede tax relief for profit sharing: he actively campaigned for it. The stimulation of training and skill formation is surely as valid a goal as the promotion of more flexible types of remuneration. In the longer run, greater investment in training, by reducing skill mismatches, could do more to reduce unemployment than the extension of profit-related pay.

Individuals' investment in training does deserve public support. Indeed, there is a strong case for encouraging adult participation in vocational and higher education more generally. People who try to combine work with study at present get a raw deal: unlike full-time students, they get no help with fees or living expenses. Tax relief, however, is not the most efficient way to encourage training and education. The cost of concessions is not readily controllable nor is it easy to target assistance accurately. High earners would tend to get a bigger subsidy than the poorly paid even though the latter are more deserving.

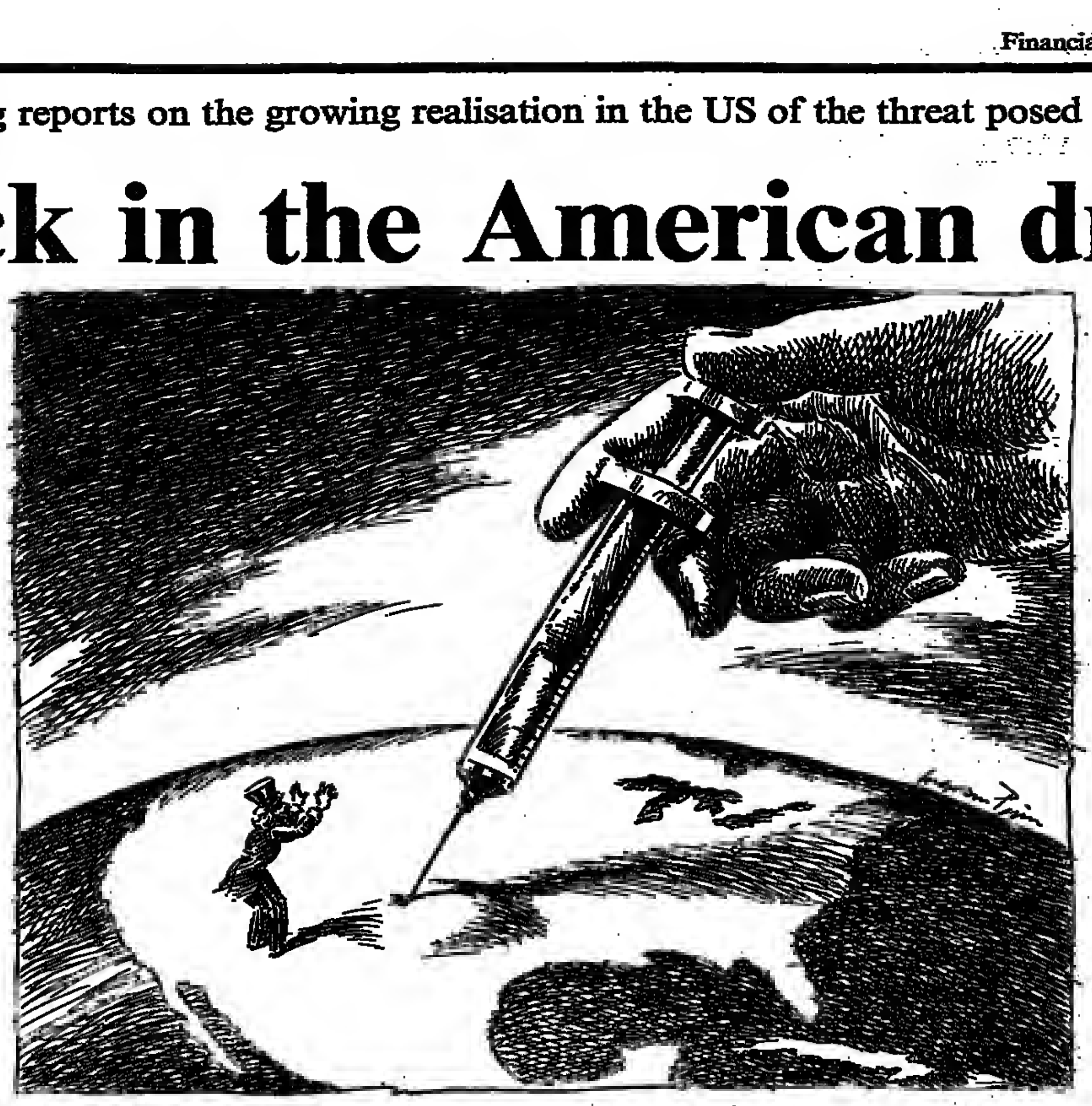
Training vouchers

Rather than asking the Treasury for help, Mr Baker should propose that the Education Department issue training and vocational education vouchers. These could be either unconditional or means-tested to ensure they reach the most needy. They could be restricted to courses thought desirable by the Government. The cost would be controllable and form part of Mr Baker's departmental budget. Such a subsidy would be open rather than disguised and, since the department could simply stop issuing vouchers, the policy could be reversed more readily than would be the case with tax concessions.

If the experiment were successful, however, Mr Baker could begin to finance an increasing proportion of higher education via vouchers. This would allow a welcome reduction in reliance on bureaucratic funding mechanisms.

Stewart Fleming reports on the growing realisation in the US of the threat posed by illegal drugs

Crack in the American dream



GERI LARUSSO is sitting in front of a blackboard on the second floor of Hooper Avenue Elementary School to Toms River, New Jersey, her class of 25 bright-eyed six and seven year olds around her feet.

One boy is grasping a large green puppet which looks for all the world like Kermit the Frog, playing with it absent-mindedly as he listens to the teacher talking about one of Frog's experiences as a teenager.

"My friends were all licking up tree sap and croaking real loud," Frog is saying. "Some of them were hopping sideways." But Frog hopped home to his mother and father without trying the tree sap — even though his friends scoffed at him for not having a lick.

The fable is part of a nationally available drug education programme, called "Here's Looking at You 2000," which Ms LaRusso started using in class in January. About the same time, 60 miles away in Franklin Township, New Jersey, a fresh-faced 20-year-old detective slipped into Franklin High School. He worked undercover for three months, disguised as a 16-year-old student in the junior year. Travelling daily to class from an apartment taken with an older detective who was pretending to be his father, he infiltrated Franklin High's student drug dealers and users.

The operation ended in March. Police entered the classrooms and arrested 16 students on drugs charges. Five were charged with trafficking. "We uncovered a substantial amount of drug activity in the school — coke, marijuana, everything except heroin," says Mr Nicholas Bissell, the County Prosecutor.

Both Toms River and Franklin Townships are middle class communities. Toms River is overwhelmingly white, a town on the beautiful New Jersey coast from which many inhabitants commute to New York. Franklin Townships, 30 miles north of the New Jersey state capital of Trenton, is racially more mixed. Half the students at the high school are from racial minorities. Significantly, however, only three black students were among those arrested. This fact, which confounds the stereotype of drug abuse in the minds of many Americans, is reflected in the widening of the drug problem into a powerful political issue this election year.

Much publicity about drugs still reflects the savagery of the ghettos in cities like Los Angeles, New York and Washington DC, where youthful gangs of armed thugs terrorise the inhabitants. Television coverage ranges from gruesome pictures of drug-related murders to transmission of drug dealers' home movies, showing them showering each other with dollar bills like confetti. The increasing involvement of children in the traffic has helped to put the problem on the front pages — with reports, for example, of juvenile-drug related arrests in Los Angeles rising from 41 in 1980 to 1,719 in 1987.

But it is the growing anxiety of millions of white voters, in places like Toms River and Franklin Townships, which helps to account for the fact that the drug peril now tops the opinion polls as Americans' biggest concern. It heads a complex of social issues which is promising to play a significant role in the outcome of the presidential election. For the moment at least it is breaking in favour of the Democrats — hence President Reagan's call this week for a bi-partisan task force to seek solutions to the problem.

"It was not until families of influential people began to be affected a few years ago that we began to pay more than lip service to the problem," says Mr Richard Russo, Assistant Commissioner for Alcohol, Narcotic and Drug Abuse to New Jersey. "There is hardly a school, hardly a community which does not have a drug problem. It is no longer 'their' problem it is 'our' problem."

Drug abuse in schools, the spread of drugs to the workplace, the role of drugs in contributing to the transmission of Aids and other diseases are all beginning to prey on voters' minds. But the data on drug and alcohol abuse are far from perfect. While experts agree that the nation faces an enormous problem, they hotly debate whether the situation is improving (as some of the data highlighted recently by Mr Reagan suggest) or getting worse (as Mr Reagan's Secretary of Health and Human Services, Dr Otis Bowen, seemed to imply). Some sample statistics:

● 23m Americans are current drug users, according to a General Accounting Office study published this year — that is, they said they had used an illegal drug at least once in the 30 days before being interviewed. Within this total, it is estimated that around 18m currently use marijuana, 6m cocaine and over 500,000 heroin. The study suggests that 70m Americans have used an illegal drug at least once.

● Drug trafficking generates US revenues of between $60bn and $120bn each year, according to congressional testimony last month by Mr Francis Keating, Assistant Treasury Secretary for Enforcement.

● An estimated 50 per cent of high school seniors say they have used marijuana; 15 per cent have used cocaine.

This calculation, based on surveys in 1987, comes from the GAO study. It suggests some modest decline in drug use by children in recent years — mainly a reduction in marijuana use. Critics question this data, however, arguing that many drug users drop out of high school early and are not covered by the survey.

Mr Karst Besteman, of the Washington-based Alcohol and Drug Problems Association of North America, focuses instead on the data in the GAO report showing that cocaine consumption and the purity of the drug on the market have doubled since 1982, while prices have plummeted. A vial of "crack," a highly addictive form of cocaine, can be bought for $10. Five years ago, says Mr Besteman, an evening sniffing cocaine powder could have cost $2,000. Crack, he says, "is like having microwave-ready meals."

These trends, he believes, are not consistent with the evidence of declining use thrown up by the surveys. The increasing supply of crack and its widespread availability are seen as vital factors in the rising violence of the drug trade and the increasing involvement of young people in trafficking. Unlike heroin, cocaine stimulates aggressive behaviour.

Drugs are Americans' biggest concern and may play a significant role in the presidential election

Communities and companies were inclined, in the past, to treat the drugs problem as primarily a question of law enforcement. Now they are shifting their ground. Just as Toms River has introduced drug education for six year olds, so, according to the Business Roundtable, an organisation of chief executives, big companies are expanding their drug education programmes. Like the Federal Government, they are also expanding the drug testing of employees, fuelling a civil liberties debate about intrusion their workers' private lives.

Further evidence of the change in public attitudes is the debate — resurfacing in the US for the first time in a decade — about whether the legalisation of illicit drugs might be a more effective way to tackle the drug plague. Behind this debate lies deepening public frustration with a problem which seems increasingly intractable. Polls show that the public believes that the "war on drugs" launched by the Reagan Administration is not being won.

Experts such as New Jersey's Mr Russo believe that public policies can contain the spread of drugs, but that achieving this will require a comprehensive approach emphasising prevention and treatment as well as law enforcement. This will require the long-term commitment of billions of dollars. There will have to be stable funding for anti-drug programmes, not the volatile, one-year-at-a-time appropriations in response to short-term political pressures. But scant resources, disagreement over the right policies and, this year, election pressures are hardly the right background for a considered approach.

There is already a great deal of political grandstanding. The decision by the Senate last week to follow the House of Representatives and approve a much bigger role for the military in drug interdiction is raising fears about the precedent for civil liberties of bringing the military into a civilian law enforcement area. It is also being widely dismissed as election year posturing, the result in part of a desire to respond to electoral pressures with what appears to be a quick, not too expensive "solution".

The Administration's new policy of "zero tolerance" of drug users by the US customs — which resulted this month in the confiscation of a $2½m luxury yacht after the Coast Guard found one tenth of an ounce of marijuana on board — can be presented as an effort to reduce demand. But it can also be criticised as posturing.

A serious, broadly based assault on the drug problem may nevertheless emerge when this year's political circus is over. A number of states facing the most serious drug problems, such as New Jersey, have sharply increased spending on drug prevention and education, at the same time as introducing tougher enforcement.

Another straw in the wind came in one of the subsidiary recommendations of the President's Commission on Aids. It argued that federal funding for drug abuse treatment needs to be increased by $750m a year and sustained at that level for 10 years. "This is an enormous, unbelievable amount of money to anyone in the drug prevention business," says Dr William Butynski, executive director of the National Association of State Alcohol and Drug Abuse Directors. Of course, he says, with a wry reference to the commission's chairman — a retired admiral — "to a Pentagon official it's peanuts." It is, however, a measure of the money which will have to be extracted from tight federal and state budgets. Dr Butynski says drug rehabilitation for a juvenile can cost anything from $12,000 to $35,000 a month.

The close link between drug abuse and the heterosexual spread of Aids — which prompted the commission's recommendation — is an important factor pushing in the direction of a more comprehensive attack on the drug menace. But attitudes and public policy still have to change significantly. Mr Besteman says that inhibiting the fight is the fact that most health insurance policies specifically exclude drug rehabilitation treatment. Mr Russo argues that Medicare and Medicaid, the main federal health care programmes, need to be expanded to cover drug abuse.

In the meantime, a battle to take command of the drugs issue is already underway between the Republican and Democratic parties and betweeu the parties' probable presidential candidates.

The Democrats are well placed on the issue. In the Reverend Jesse Jackson they have the man who has expressed the public's concerns most eloquently. The party's likely presidential nominee, Governor Michael Dukakis of Massachusetts, can claim to have helped set up one of the nation's best anti-drug programmes in his home state.

On the Republican side, the issue could haunt Vice President Bush. He is attempting to cast the debate in favourable terms by presenting it as a law and order matter and calling for the death penalty for major traffickers. But the fiasco surrounding the Administration's efforts to remove General Manuel Noriega from power in Panama may put Mr Bush on the defensive. Gen Noriega has been charged with drug trafficking in Florida and questions have been raised about the extent of the Administration's (and Mr Bush's) knowledge of his drug-related activities before his indictment.

The Noriega affair has helped the Democrats' efforts to emphasise the national security and foreign policy aspects of the drug peril and to criticise the Administration for giving too low a priority to defending the US against the flow of drugs. Recognising the danger, Mr Bush dissociated himself on Thursday from the Administration's negotiations to reach a compromise with Gen Noriega, saying that he did not believe in bargaining with drug dealers.

In such ways the drug issue is working its way into the mainstream of American political life. By November, it may become one of the handful of concerns that shape how Americans feel about the health of their country, and thus, perhaps, how they vote.

OBSERVER

Rolling Stone on LSE trip

■ Plans are going ahead to hold a a dinner in the House of Commons next month as part of the London School of Economics reunion for those who passed through in the years 1960-65.

A list of speakers has not been fully arrived at but one possibility is the Rolling Stone and LSE old boy, Mick Jagger, who has already been sounded out by Robert Kilroy-Silk, the television presenter and former MP who is heading the celebrations committee.

Part of the telephone conversation went something like this: Jagger: "What are yon doing now?" Kilroy-Silk: "Oh just some TV work. And what are you doing?"

The more anthusiastic MPs among the committee are keen that Jagger should sing bnt no-one is sure whether the House has a singing licence, or what indeed would be suitable. Some of his past titles include Honky Tonk Woman and Little Red Rooster. It is not yet known whether Margaret Thatcher or Neil Kinnock will be attending.

Below the belt?

■ The only thing you need to say to make otherwise mild mannered bankers go hot under the collar at present is Campaign For Independent Financial Advice (CAMIFA).

The series of CAMIFA advertisements running to the broadsheet press, including the FT, is designed to illustrate the advantages of independent intermediaries over those banks and insurance companies which are selling their own products direct within the terms of the Financial Services Act.

The Life Insurance Association thinks the advertisements are so underhand it has complained to *the Advertising Standards* Authority which says it has received about a dozen other complaints, mainly from insurance companies. It is still scrutinising the ads and has not yet made up its mind what to do about them.

The complaints are aimed at wording painting the independent broker as an expert with no vested interests and those selling their own products as out for their own. While the latter may be correct the former is open to question since the brokers receive commission on their sales and the customer cannot easily find out whether the policy is the best one for him or the best to commission terms for the broker.

CAMIFA which has been organised by 14 Life Assurance companies, including Norwich Union, Standard Life and Scottish Amicable, feels its £7m campaign will be vindicated by the ASA.

One bank has been looking at hitting back with its own advertisements but that is unlikely according to an official who said: "I just don't think we could stoop so low."

Bulgarians in space

■ A Bulgarian astronaut is due in early June to be given a week's stay in Mir, the Soviet space station, as a guest of the Soviet Union. He will be the 13th non-Soviet citizen to be taken into orbit on a Russian rocket.

So far the USSR has organised these events according to strict parity, with all 12 guest spacefarers to date having come from different countries, mainly communist allies and other friendly nations such as France and India.

This trend will be broken with the June flight since Bulgaria provided an earlier astroneut, Georgi Ivanov, who went aloft to 1979. This mission was cut short, hence the second chance.

Another reason could be the Alexander factor. Alexander is a popular name among the people *who run the Soviet manned* space programme. In recent years, seven people called Alexander bave been into space on Soviet rockets.

"It's the new Labour Party logo."

The Bulgarian authorities did their homework before selecting their astronaut, Alexander Alexandrov; not only does this fit in extremely well with the Alexander tendency, but the name is also the same as that of an experienced Soviet spacefarer who made a long flight last year. There could have been no better way of currying favour with the Kremlin.

Chinese dinosaurs

■ The four Chinese palaeontologists sent from Peking to pack-up the dinosaur exhibition at the National Museum of Wales to Cardiff have saved the biggest until last.

Mamenchisaurus, measuring 70 ft from head to tail is the largest of six to be packed into cases for transfer to the Natural History Museum where they will go on show for five months from June. Fortunately all the bones are individually marked in *Chinese characters.*

The exhibition, which ran from December 1986 to April 1988, has been a great success, attracting 364,000 visitors. Stephen Howe, the exhibition manager, said it would not be the same without the dinosaurs. Certainly the new exhibition, "Gerald of Wales" does not have the same ring about it.

Comrade Ayckbourn

■ The group of Soviet playwrights in London this week as guests of the Riverside Studios at Hammersmith admitted yesterday they had a problem with some of the comic British dramatists.

Mikhail Shvydkoi, editor of Soviet Theatre News, said Alan Ayckbourn presented a particular problem. The first time one of his plays was translated and performed the audience could hardly manage a titter. Fortunately for Ayckbourn Shvydkoi blames the translator so a new version is being produced which he hopes will have Soviet audiences rolling in the aisles.

Shakespeare is still king in the Soviet Union so it is perhaps fitting that there is to be an Anglo-Soviet production of King Lear. Protocol demands that the cast has six Soviet and six British actors. There cannot, of course, be two King Lears so the casting should be fun and games.

Cure for azaleas

■ After months of delays caused by technical problems at the BBC the broadcast launch of British Medical Television was finally scheduled for the early hours of Wednesday morning.

BMTV is the special programme service broadcast in scrambled form to the middle of the night to doctors with special decoders and video recorders.

The first live trial of the programme, due to go daily in September, dealt with matters such as how to recognise the clinical symptoms of meningitis.

Unfortunately someone picked up the wrong tape and the inaugural broadcast of BMTV, which will be paying the BBC about £1m a year for the full daily service, featured the lete Percy Thrower giving a detailed diagnosis on the growing of azaleas. The meningitis followed soon after the mistake was spotted.

هكذا من الأصل

POLITICS TODAY: Joe Rogaly

Paddling her very own canoe

SMALL political events are sometimes of greater long-term significance than large ones. This week was one of those times. The big event was, of course, Tuesday's extraordinary affirmation by the Prime Minister, Mrs Margaret Thatcher, that she supports her Chancellor of the Exchequer, Mr Nigel Lawson. It was an electrifying political drama. Her performance in the Commons was exciting. She took her medicine with good grace. With evident enjoyment she showed the Leader of the Opposition, Mr Neil Kinnock, that she is still in lethal fighting form.

The matter at issue – a public disagreement between PM and Chancellor over the management of the exchange rate – was of considerable moment. Yet what is really happening to the shape of British society is better illustrated by a series of apparently more trifling events.

We can check out those trifles in a moment, but first look at the bottom line. There you will find that Mrs Thatcher is still in firm control of her permanent revolution. She is head of a party with a Commons majority of over a hundred. Yesterday's Gallup poll in the Daily Telegraph puts the Conservatives back at a 9 percentage point lead over Labour. It is little wonder that the Prime Minister has hardly wavered in her preset course over the past few weeks, in spite of dramatic headlines which have referred not only to the exchange rate argument, but also to differences of opinion with the House of Lords, her own Conservative backbenchers, and the Foreign Secretary.

She will continue to triumph in this way until one of four things happens – the first three of which are: (a) she is, as the ghoulish saying has it, "struck down by a bus," or (b) she herself decides to step down, or (c) she loses an election. There is little point in discussing (a) and not much of immediate practical interest in pursuing the other two themes. That leaves the fourth possibility, which is that she loses her cool command over everyday politics.

It is here that we come to those trifles. The first relates to the Great Education Reform Bill, which is on its way through the House of Lords. One of the clauses in the bill as sent up by the Commons provides that parents may vote to remove a school from local authority control. The school would then become quasi-independent. It would be managed directly by its own Board of Governors and indirectly by the Department of Education. According to the clause in its original form a simple majority of the parents who took the trouble to vote would be enough to make the school a candidate for "opting out" into self rule.

If you go by the impression given by the Prime Minister during the June 1987 election campaign, the net effect would be that middle-class parents would take large numbers of schools out of systems controlled by Labour councils. This might in some measure atone for Mrs Thatcher's wet policies when, as the minister in charge of education (1970-74), she approved nine out of every ten schemes for creating comprehensive schools by merging the former "secondary moderns" with academic, mainly middle-class, grammar schools.

Fearing just such a reversal the Lords voted eight days ago to make it slightly more difficult to opt out. Under *their amended clause, a majority of parents eligible to vote*, not just those voting, will be required. I suspect that the net effect of this would be closer to the impression given during the election campaign by the Secretary of State for Education, Mr Kenneth Baker, that to fact a relatively small number of schools would "opt out." Yet the Government responded to the Lords' vote by indicating that the amendment will be reversed when the bill returns to the Commons.

The political response has been even more instructive. The Prime Minister brought forward a scheduled visit to the Conservativa Peers and told them *on Monday night that their voting patterns* were unhelpful. By all accounts some of these quavering old gentlemen seemed genuinely afraid of her. In case this was not enough, reinforcements were brought in for the next big vote, which took place in the Upper House on Tuesday, a few hours after the Prime Minister made her statement about exchange rates in the Commons. As she was speaking inside the Chamber, Land Rovers and other unfamiliar conveyances began to appear outside. Normally apolitical members of the nobility who had been informed of the need to come to town and support their Government tumbled out.

They were there to vote on the abolition of the Inner London Education Anthority. The Conservatives hava *never liked the ILEA, not least because* it seems impossible to wrest it from Labour control. They did not, however, propose outright abolition in the 1987 election. They spoke, instead, of whole boroughs within London "opting ont". When Mr Baker added abolition to the Bill following Tory backbench pressure earlier this year officials in his own Department of Education were taken by surprise. They were not ready for it. Since the amendment before the Lords would have delayed abolition, not prevented it, the Government might have accepted it as a common-sense measure. But Mr Baker knew that he could ill-afford such an apparent political defeat. It would have made him look feeble in the eyes of Downing Street. The necessary arrangements were made.

This sequence of events makes it harder than ever to believe in an effective Lords modification of the Government'a proposed community charge/poll tax. Under present plans the tax will be at a flat rate, with a system of rebates for the poor. The Government has a few conciliatory amendments up its sleeve. These would extend the rebates but leave the flat-rate principle altered for everyone else. The Lords amendment that seems to stand the best chance of getting through is more fundamental. It would instruct the Government to abandon the flat rate altogether, and relate the tax to ability to pay. *Thus a duke would after all pay* more than a dustman (or, just possibly these days, vice-versa). The Government fought hard to defeat such an amendment in the Commons. Few can now doubt that it will either pack the Lords or try to override an ability-to-pay amendment if by some mischance it gets through the Upper House.

The common thread running through all these happenings is that there is only one countervailing force thet is capable of turning Mrs. Thatcher – overriding pressure from within the Conservative Party in the Commons. She came round to Mr Lawson on management of the exchange rate becanse of the evident desire of many Conservatives that she do nothing to cause him to resign. She made small concessions on social security a few weeks ago because of widespread Tory disquiet. The education and poll tax bills will be pursued to the limits of her party's tolerance within the Commons, but she will tack and veer rather than cross over those limits.

If Mr Michael Heseltine makes further headway in his campaign for the leadership of the party by attacking her Government's record on allowing green fields in the South East to be used for new housing, the policy will be modified. If her Secretary of State for the Environment, Mr Nicholas Ridley, alienates too many Tory backbenchers by mishandling this extremely sensitive topic, she will modify Mr Ridley. Some 90 Conservative MPs are lined up to defend England's green and pleasant land; if Mr Heseltine's campaign could get that number into the low hundreds new planning controls would appear as if by magic. Mrs Thatcher is not herself one of the world's noted environmentalists, but she does understand party politics. While she continues to do so, she will remain in supreme command.

What is not so clear is where her leadership is taking us. The first two Thatcher terms, running from 1979 to 1987, were mostly concerned with slaying the dragons of the 1960's and 1970's – the overriding powers of the trade unions, the seemingly unbreakable cycle of inflation and stop-go, the apparently complete absence of any notion of good husbandry in the public sector, the generally pusillanimous nature of British management. A start was made on changing the composition of society by selling off council houses to sitting tenants and *spreading* share ownership more widely, but health, welfare and education were left alone.

This third term is something else again. It has begun with a radical reform of taxation, a brand-new system of welfare payments, an education reform bill that will completely change the condition of British education and, latterly, a total review of the national health service. We are told that we are *individuals who must stand on our own* two feet; that we live in an enterprise society. Yet the policies are not all of a piece. Parents have the right to vote their schools out of local authorities but, under the poll tax and other legislation, *local communities will lose* control over much of education and housing, their main areas of power. What is more, we will be told that when we act as a community we cannot spend more than a certain amount on ourselves. For if we vote to a council that spends more than Whitehall deems sufficient, the poll tax will be capped.

This sharpening of central government power over our lives is one of the principal paradoxes of Thatcherism. When schools "opt out" they fall under the control of the Department of Education rather than the local council. When tenants do likewise, they are freed from local council regimentation, but their Housing Association landlords fall under Department of the Environment regulations. The response to Scottish rejection of the Conservative Party is more Thatcherism – and, *quite possibly, a gradual reduction in* the powers of the Scottish Office. The urge to enable people to spend money on private health and private schools is accompanied by a policy that aims to tell them what they may and may not watch on television – and brings in a new body, headed by Sir William Rees Mogg, to add to the several others charged with that task.

These apparently conflicting directions of policy have the imprimatur of No 10 Downing Street upon them. Disputes between the Chancellor and the PM will not alter the fact that, for the time being, *l'Etat, c'est elle.*

Lombard

What Japan did next

By Guy de Jonquières

HERE IS an initiative test. I am a Japanese industrialist and 40 per cent of my company's overseas *sales are in the US. But access to* the American market has been steadily narrowed by import barriers and our cost competitiveness has been badly squeezed by the fall of the dollar. What do we do?

Answer: Start manufacturing in the US. It's quite a challenge in the early stages, of course. Local workers and suppliers aren't all they should be, and it's taken time and money to get things right. Our managers and engineers in Tokyo aren't too happy either, and we've had to think up new ways to keep our plants back home busy.

Market share

However, we've kept our US market share, and by deliberateiy siting our plant in a high- unemployment region outside the rust beit, we're even popular. The state governor likes us and is paying for part of our investment. Fortune's doing another *cover story on Japan'a revival of* American industry and US business schools hombard us with invitations to talk about quality.

Bnt hold on, what's this? American industrialists, some of them good customers of ours, are complaining that local Japanese production is creating excess capacity and destroying their margins. Still worse, congressmen in Washington are warning that America is np for sale and that the Japanese are buying it all. Books warning of threats to national security, with titles like *America's Enemy Within*, have *become overnight best sellers.* What do we do now?

Answer: We try to explain that if America wants to maintain its living standards, its trade deficit must be offset by capital inflows. In any case we're only doing what US multinationals did around the world for years. But somehow, nobody seems to want to listen. What do we do next?

Answer: Maybe we can learn something from the Americans. What was that IBM fellow saying abont foreign countries always expecting more of multinationals than of their own companies, and how governments would do almost anything for firms which created lots of exports and jobs? *Could this be the glimmering of a solntion?*

Honda has already started selling in Japan cars made in its Ohio plant. Clever PR that. Maybe we could take it a stage further. Quality at our US factory is almost up to standards in Osaka, and costs are getting better all the time. How about shipping to Europe? Bit of a disappointment, Europe. Nice place for holidays and shopping. But from a business standpoint it's a bit of struggle. A bunch of different markets with interfering bureaucrats, difficult labour relations and manufacturing costs as high as they are at home.

Profit margins in Europe are pretty good though, and Miti thinks there might even be something in all this talk about a *single market in 1992.* Maybe the Europeans are starting to wake up. But their trade policy is getting tougher and, judging by the way some of their politicians are talking, they'll try to lock us out of their internal market, if it ever happens. What should we do?

Answer: Europe is erecting defences against imports from the east, not from the west. Yct American-owned companies aren't seizing the opportunities there. Most don't have foreign sales expertise and distribution networks on the ground. We do. Politicians in Washington only *care about American exports, not* who owns the plants which make them. What a chance for us to do well by doing good.

All-American heroes

Test result: Seems we've hit the jackpot. Since Japanese plants started exporting in volume from the US to Europe, we've suddenly become all-American heroes. Even congressman Gephardt has praised us and there is talk of some curbs on imports from Japan to be lifted. The Europeans aren't too happy of course. But they never are. One day they're complaining about the size of US trade deficit, and the next about the way it's being corrected. What can the Europeans do, I wonder?

Letters to the Editor

Restraint by orthodox means

From Dr L.H. Palmier.

Sir, The present situation, where a rise in interest rates needed to avert inflation will have the undesirable effect of increasing the value of the pound sterling, is not unprecedented.

In the mid 1970s funds from inflation-prone countries flooded into the secure haven of the Swiss franc. This monetary infusion of itself threatened to fuel a domestic inflation.

The Swiss anthorities, as is generally known, responded by imposing a "negative interest rate" on foreign funds deposited to Switzerland (as well as taking steps to reduce foreign purchases of property). These measures had the desired effect, and enabled the Swiss to keep their inflation well below that of most other advanced countries.

It might well pay the UK to follow the example of the Swiss *paragons of financial orthodoxy.* A reduction in the interest paid to foreign depositors of sterling would very quickly restrain their enthusiasm. On the other hand an increase in the rate of domestic borrowers, as well as *curbing* inflation, would reduce the price of government securities (as of property), and so make them less attractive to foreign buyers. The pound would quickly assume a less heated countenance.

Any agreements or understandings that prevent the UK following its national interests in this most vital matter should be *revised as necessary.*

L.H. Palmier,
School of Humanities and Social Sciences,
The University,
Bath, Avon

Safer to repeal the EC Act

From Lord Bruce of Donington.

Sir, Yon report (May 16) that an agreement is imminent to free all financial tranaactions between the 12 European Community (EC) member states by 1992. Such a step, once taken, will be extremely difficult if not impossible to reverse without a disintegration of the Community *itself in its present form.*

Under Article 16(4) of the Single Act, given force in the UK by the European Communities (Amendment) Act 1986, it is provided ("in respect of measures for the progressive co-ordination of the exchange policies of member states in respect of capital movements between those states and third countries" – as per Article 70 of the Treaty of Rome) that:

" . . . for this purpose the Council shall issue directives acting by a *qualified majority* (my italics). It shall endeavour to attain the highest possible degree of liberalisation. *Unanimity* shall be required for measures which constitute a step back as regards the liberalisation of capital movements."

Thus just one member state, including *tiny* Luxembourg, could prevent the UK (or any other member state or states) from taking measures to restrict outward capital flows in tha national interest. This may be to the taste of present governments, including the UK's, but with movements of capital funds across the exchanges running every day at about 20 times the transfers required to meet normal trading needs, it must be surely unwise to abandon all national controls at the behest of a "qualified majority" and then put a ratchet in the measure preventing its repeal.

The dangers of such a situation are unlikely to be appreciated by those with a considerable interest in and control of vast capital resources. *Their loss in one country* is in due course their gain is another.

But nations do not consist only of those in the extremely powerful sector. There are also those engaged to the manufacture and marketing of material things and innovations to this field; employees, managers and operatives – and their families and dependents. In addition there are those for whom the free market has no use – 15m in Europe, including between 2.5m and 3m in the UK.

This unilateral financial disarmament by Britain may have dire consequences from which, it may be predicted, even the very rich and at present all-powerful could not ultimately be protected. In the circumstances the only road out for a new Government reflecting a more enlightened view of society as a whole would be to opt out of the EC altogether, by an outright repeal of the European Communities Act 1972. Perhaps it may all be for the best.

Bruce of Donington,
Opposition Spokesman on Treasury,Economic and Fiscal matters,
House of Lords, SW1

Finding routes to computer harmony

From Mr G.B. Shephard.

Sir, Louise Kehoe's article (May 11), discusaing possible fragmentation in the development of the Unix operating system, compares the position of the Sun/AT&T "unified" initiative with Hewlett Packard'a attitude and that of the "Hamilton Group" led by Digital Equipment *Corporation (DEC).*

The important point for customers to bear in mind is that the existing *de facto* standard over which portable application packages operate is the AT&T System V interface definitiou (SVID). DEC argues that this is a proprietary definition and should defer to the emerging Posix standard being developed by the IEEE. In the medium term this standard will probably incorporate the *de facto* SVID, and in the long term adopt the recommendations of the X/Open consortia of European and US multinational computer companies.

The non-AT&T initiatives are led by companies which have not had a traditionally strong position in Unix. Hence the suspicion regarding their motives to which your *article* referred. Customers should insist that equipment be supplied conformant to established interfaces. At present this means conforming to SVID and committing to Posix.

ITL is working with others to commit interworking between conformance systems. Wa implement SVID; await Posix; and discuss trends with X/Open. This is the route to harmony for those fully committed to Unix.

G.B. Shephard,
ITL Information Technology,
Maylands Avenue,
Hemel Hempstead, Hertfordshire

CAA keen to promote competition between airlines of all sizes

From Mr Christopher Tugendhat.

Sir, I join Sir Colin Marshall (Letters, May 14) in welcoming the prospect of the completion of the internal European market by the end of 1992. *I cannot however* join Sir Colin in his prescription for UK civil aviation policy.

The Civil Aviation Authority (CAA) is in the process of consulting the British civil aviation industry, including British Airways, on what our air transport licensing policies should be for the next few years. Our proposals are designed to promote an environment in which competition can take place between airlines of all sizes, and we recognise that this may mean some restriction on the ability of our largest airline to expand exactly as it likes.

We are presently sifting the reaction to our proposals. While we shall give the fullest weight to what British Airways has to say to us, I do not think we ought to be swayed from our course for the reasons given in Sir Colin's letter.

The European Community (EC) target date of December 31 1992 is still some way off, and we have to have a civil aviation policy for the intervening years. While we hope the internal market will be completed on time – both generally, and for aviation – it would be unrealistic for us to rule out altogether the possibility that there might be some delay. Even if the legal instruments are all in place, *it may be still some time* before the full effects will be evident.

The problems of airport and airspace capacity will not have been solved, whether here or in Europe, and this will have an impact on the ability of British and foreign airlines to exploit the new environment. Without the right policies in the next four or five years, the UK's civil aviation industry could be irrevocably altered in such a way aa to inhibit the benefits which we hope will come in the 1990s.

Sir Colin is surely right that in the past – and even now – world civil aviation has been condncted on too nationaliatic a basis, without the relatively free flow of "imports" and "exports" which characterises many other international industries. We have observed that adding a second British operator to a route almost always has the effect of raising the UK share of the market, and we are keen to have additional opportunities. The completion of the internal market should hring welcome relief, certainly in respect of aviation within the Community.

Aviation is, however, a world-wide business. There are now British airlines whose intra-Community activities account for only a tiny proportion of their total effort, hut whose place in our industry is important, and we must be careful that their interests are not overlooked. I can therefore readily agree with Sir Colin that the completion of the internal market must have an effect on the shape of intra-Community aviation and thus on the way that it will need to be regulated, and it may well be that much present regulation of intra Community aviation will become unnecessary.

But we cannot now foresee what those changes will be, and we cannot now act as if they had already taken place.

Christopher Tugendhat,
Chairman, Civil Aviation Authority,
CAA House,
45-59 Kingsway, WC2

FINANCIAL TIMES

Friday May 20 1988

Renewed unrest reported in two Soviet republics

BY QUENTIN PEEL IN MOSCOW

REPORTS of further mass demonstrations yesterday in the Soviet republics of Armenia and Azerbaijan suggest that efforts by Mr Mikhail Gorbachev, the Soviet leader, to calm the ethnic unrest which flared earlier this year appear to be faltering.

Reuter reported that 100,000 had protested on the streets of Baku, the Azeri capital, on Wednesday, prompting an appeal for calm which was broadcast on both radio and television.

On Tuesday, an estimated 15,000 people demonstrated in the streets of Yerevan, the Armenian capital, protesting at the leniency of the 15-year labour camp sentence passed on an Azeri youth who admitted murdering an Armenian in ethnic riots last February.

The counter-demonstration in Baku was sparked by the burning of an Azeri home by Armenians, Reuter said – but the crowd also protested at the severity of the same 15-year sentence on 20-year-old Talekh Ismailov.

Reuter quoted Mr Musa Mamedov, head of the press department of the Azerbaijan Foreign Ministry, saying that about 1,000 Azeri people living in the Ararat region of Armenia had fled their homes after the house-burning incident.

The latest upsurge in tension appears to have been sparked by the trial of some 80 defendants charged in connection with the riots in the town of Sumgait, north of Baku, in February, which left 26 Armenians and six Azeris dead.

The weekly newspaper Moscow News reported this week that Armenians in the city had been warned to stay at home during the riots, leaving them at the mercy of a rampaging mob of Azeri youths. The newspaper blamed "police inaction" for the severity of the riots, described by many as a "pogrom."

The original tension was sparked by Armenian demonstrations calling for the mountainous region of Nagorno-Karabakh, which is part of mainly Moslem Azerbaijan although populated largely by Christian Armenians, to be transferred to Armenia.

Mr Gorbachev and the Communist Party central committee turned down the request, but agreed to a shake-up in the local party leadership, and gestures like the broadcasting of Armenian television to the enclave.

US savings bodies far from thrifty

It may cost $55bn to rescue insolvent lending institutions in the US, report Anatole Kaletsky and Roderick Oram

WHEN the financial history of the 1980s is written, the chaos in US property lending will almost certainly overshadow eveo the Third World debt crisis as the costliest banking debacle since World War Two.

That is the message which emerged yesterday when the US General Accounting Office (GAO) announced that between $26bn and $36bn of government-guaranteed funds would have to be spent on rescuing the 500-odd savings and loan institutions now known to be insolvent across America. The statemeot came only a day after the Federal Home Loan Bank Board (FHLBB) revealed that it would inject $2bn into a governmeot-sponsored takeover of just four small savings institutions in Texas.

The fact that tbe combined assets of the four thrifts to be rescued amounted to only $4.4bn, confirmed tbe widespread view among private bank analysts that even the upper end of the GAO's estimates was likely to prove too optimistic. For in the nation as s whole, the total assets of insolvent thrifts amount to somewhere between $93bn and $140bn, depending on accounting definitions.

While the home loan bank board stated a month ago that the "probable and estimable" cost of rescuing insolvent thrifts was likely to be only $15.3bn, the GAO, which audits the board's books, said yesterday the board had underestimated its costs and made unduly optimistic assumptions about its revenues. Indeed, eveo the GAO was probably bending over backwards to present a reasonably cheerful picture.

According to Mr Bert Ely, a leading thrift industry consultant, the final cost of cleaning up the savings and loan mess across the country looks like being around $55bn. Mr Ely believes that the thrift industry's insolvency is compounding at a rate of 15 per cent annually as unpaid interest accumulates and the capital value of poorly maintained repossessed buildings deteriorates.

While his frequently quoted figure is disputed vigorously by Mr Danny Wall, the home loans bank board chairman, it is broadly endorsed by other government officials. Indeed senior members of the Federal Reserve Board freely admit to being "appalled" both by the present state of the S&L industry and by the years of reckless mismanagement and lax regulation which has led to the lending debacles, not only in Texas, but also in some of tba most prosperous parts of the country including California and Florida.

The scale of these possible losses can be put into perspective by noting that $55bn would be enough to write off 60 per cent of the US commercial banks' loans to the Third World.

However, another comparison is even more disquieting. The total resources available to the Federal Savings and Loan Insurance Corporation under its current legislative mandate are just over $20bn over the next three years. More than half of this money is already in the form of an emergency rescue package, cobbled together with great difficulty by Congress last year.

This allowed the corporation to borrow $10.8bn on the financial markets, to be repaid over 30 years out of the insurance premiums it charges on the nation's $950bn in S&L deposits. In addition to this special loan, the corporation receives about $3bo a year from these premiums, which currently amount to 0.203 per cent on all deposits held by insured S&Ls.

However, the thrift industry is already clamouring for cuts in these premiums, which put S&Ls at a disadvantage against commercial banks, which pay only 0.0833 per cent. And how likely is Congress to authorise new subventions at a time when the Federal government's borrowing desperately needs to be cut?

For the devastated Texas real estate market, the most important part of the rescue plan announced on Wednesday is the commitment by regulators to help saving and loans keep non-performing assets on their books. This will be achieved by topping op with federal mooey the thrifts' inadequate earnings from their real estate portfolios.

Thrifts and many real estate companies had lobbied hard for such government subsidy. Without it, they argued, the thrifts could not afford to carry foreclosed properties and would be forced to sell them off rapidly.

There was a widespread fear that real estate prices, which are beginning to show a fragile stability, would suffer a further sharp fall because of this forced marking down of real estate assets to market prices. The financial losses would be huge, they said.

"There is slight evidence of a selective improvement in the market," said Mr Oliver Mattingly, chairman of M/PF, a Dallas real estate research firm. "If they can be patient, holders of these properties will end up in better shape. A better price makes up for a lot of carrying costs."

Earnings subsidy does oot, however, enjoy universal support. Financial aid coupled with hopes of higher property prices is encouraging thrifts and banks to hold on to property which realistically will take a long time, if ever, recovering to values seen before the real estate crash.

On balance, subsidy is probably a lesser evil than marking down to market prices, said Mr Wayne Swearningen, principal of Swearningen & Co., a leading Dallas commercial real estate broker. But he belives rescue plans should include a mechanism to force thrifts to steadily sell off their non-performing assets over, say, three years. Without such pressure, the huge overhang of oon-performing property assets will cause a severe drag on the economy, he added.

Critics of earnings subsidies argue that they carry huge hidden costs. "The fastest way to get these properties into use and the economy to start moving again is to value them realistically," said Dr William Brueggeman, a professor of real estate at Southern Methodist University in Dallas.

When unoccupied properties are sold, the buildings can be rented at rates which generate a return for the new owner based on the realistic market value of the property. "People are not looking at the larger economic picture," he added.

The cost of yield maintenance looks low but the total cost in terms of slower growth and higher unemployment is greater than tackling the problem head on. "You can never circumvent the market."

But overall, subsidising thrifts' earnings from their portfolios is "the politically safe thing to do. Nobody gets hurt except the taxpayer who is maintaining the yields," Dr Brueggeman said.

Japanese group buys US retailer for $325m

By Stefan Wagstyl in Tokyo and James Buchan in New York

JUSCO, one of Japan's largest supermarket groups, is to buy a US store chain for $325m in the first significant Japanese acquisition in American retailing.

It is buying Talbots, a women's clothing retailer and catalogue sales company owned by General Mills, the Minneapolis-based conglomerate which is returning to its core operations in food.

The purchase highlights a surge of interest in American acquisitions among Japanese companies. Tokyo investment bankers have forecast that Japanese corporate acquisitions in the US could double this year to $8bn.

Until now, however, purchases have largely been confined either to the banking and securities industry or to industrial manufacturers like Firestone, bought for $2.3bn by Bridgestone of Japan, a fellow tyre maker.

The price tag on Talbots, which has annual sales of $340m, astonished Wall Street yesterday. Analysts say that Jusco is paying a steep price for Talbots' 126 stores and mail-order operation at a time when womenswear retailing is in a deep and baffling decline. "It's an extraordinary price," said Mr John McMillin of Prudential-Bache.

Womenswear has been hit by a downturn in demand since the middle of last year, and the industry is frantic for a new fashion trend to stimulate interest.

General Mills also announced yesterday that it was selling its Eddie Bauer sportswear operation to Spiegel, a Chicago retailer. Bauer, with 58 stores and a catalogue operation, has sales of $255m.

The two units contributed little more than a tenth of the food giant's $5.19bn in 1986-87 revenues. General Mills said the sales would result in an after-tax gain of $200m in its next year. The proceeds will go to finance share repurchases.

Jusco is one of Japan's most internationally minded retailers. Since 1982 it has been running a joint venture with General Mills, operating a group of Red Lobster seafood restaurants. In a venture with Tchibo, a West German coffee shop company, Jusco has opened three coffee houses in Japan and plans more. It also has stakes in supermarkets in four South-East Asian countries.

Jusco said it wanted to take advantage of the strength of the yen and acquire retailing know-how which might later be applied in Japan – although there were at present no plans to open Talbots' stores in Japan.

"The retailing business started in Western countries so we still have many things to learn," Jusco said. The Japanese distribution system is known for its relative inefficiency – with a high proportion of sales going through small family-owned shops.

Jusco, which sells food, clothing and household goods, had pre-tax profits in the year to February of Y25bn ($200m) on sales of more than Y800bn.

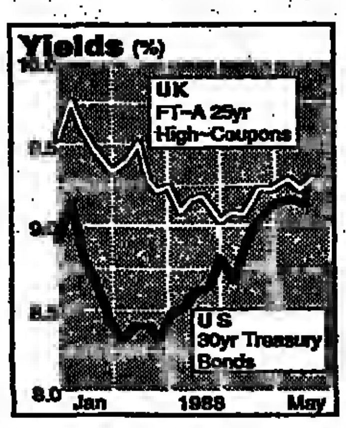
Japanese companies have bought into other parts of the US consumer sector. Aoki, a contracting group, last year took over the Westin chain of hotels for $1.35bn. And yesterday Cosmo World, a sports goods producer, announced the $52m takeover of the Ben Hogan golf equipment business based in Forth Worth, Texas.

Hitachi digs in, Page 21

THE LEX COLUMN

Held down by US bonds

London's reaction to yesterday's clutch of economic data seems final proof that whatever the UK markets are worried about these days, it is not the UK economy. It might have been possibls to drum up alarm about the growth in bank lending: the only way to control it, after all, is to jack up interest rates, and that is ruled out by the strength of sterling. But though growth in the monetary aggregates is certainly credit-driven these days, the market has long since given up looking to the money supply as any kind of guide to inflation.



The real worry still is the weakness of the US bond market. Equities in the US are still dearer in relation to bonds than in the UK, where the yield ratio is at its lowest since 1974. Wall Street's behaviour, though, has been perplexing. The long bond at the start of the year was at 8.9 per cent, and the Dow at 2,015: then the yield fell to 8.3 per cent, and the Dow fell to 1,910: by the time the yield was back up to 8.9 per cent, in mid-April, the Dow was back up to 2,015 again. This is, of course, precisely the wrong way round. Logic says that the Dow cannot now recover until bond yields fall, but the London fund manager could be forgiven for not putting his shirt on it.

But then, it is getting to the point where he has to put his shirt on something. Building up liquidity looks an increasingly odd response to falling interest rates, and the point is very close where depositing money with the clearers yields less than buying their shares. But as fund managers admit these days, they would rather miss the first few per cent of a rise than get in too early. There seems nothing around at the moment to make them change their minds.

Union Carbide

The "landmark strategy for enhancing shareholder value" that Union Carbide devised to see off GAF two years ago is starting to look more like a landmark in corporate folly. By cutting its dividend and issuing yet more shares the company has in effect admitted that its poison pill – which consisted of borrowing $3bn to buy back its own shares and increasing the dividend – has succeeded in poisoning more than the plans of its predators.

Union Carbide now finds itself unable both to pay the dividend and to finance its investment out of cash flow, and with gearing of 64 per cent, borrowing more is not an option. While this third capital reconstruction in less than three years may have been unavoidable, shareholders yesterday found it no less forgivable for that. With a yield of over six per cent - twice that of other chemical companies - the dividend was the whole point of Union Carbide for at least a quarter of its shareholders, and the initial 15 per cent fall in the shares was a measure of their disgust.

The company has got itself into this mess at a time when the chemicals industry in the US is at its strongest for over a decade. If it stays that way, Union Carbide may just get away with it, and reduce gearing to a more manageable 50 per cent within 18 months or so. But with any hint of recession, shareholders could find themselves woodering whether it would have been so terrible to have been taken over after all.

Irish banks

The big London clearing banks still feel sometimes that they are amongst the most unloved financial institutions in the world, but they should thank their lucky stars that they are not beadquartered across the Irish Sea. The combination of a militant workforce and a sluggish economy is bad enough, but throw in a highly-indebted Government which is always on the look out for fresh sources of revenue, and it is easy to see why Allied Irish Bank and Bank of Ireland sell at a discount of perhaps a third to a local stock market which they dominate. Unlike the UK clearing banks, whose biggest mistake was ever to venture overseas, the Irish banks are suffering because they have stayed at home too long.

Yesterday an embarrassed Bank of Ireland announced thet it had missed its 1988 after-tax profits forecast of I£65m, because the Government had decided to increase the local bank levy – akin to the wind-fall profits tax that UK banks used to make such a fuss about. The levy – equivalent to a tax of 1 per cent per annum on domestic deposits – has reduced the group's return on equity by 3 percentage points, and helps explain why it has had three rights issues in the last four years.

The approach of 1992 and the harmonisation of tax regimes within the EEC should in theory force the Irish Government to abolish the levy, but this could be wishful thinking – which explains why the banks are so anxious to expand their business in more friendly territories such as the US and UK.

Japanese acquisitions

If official pronouncements are to be believed, the decision by Japan's Jusco supermarket group to pay a cool $325m for the US women's apparel chain Talbots reflects a touching faith in both the prospects for US retailers and in the supremacy of their retailing skills. True, as Jusco says, the West invented retailing and upstarts from the Far East still have a lot to learn. But the technology transfer argument nonetheless looks a bit suspect: Jusco is already one of Japan's largest retailers and managed to peddle some $7.6bn worth of goods in the year to February 1988 with the benefit of only a little American expertise (Jusco and General Mills, parent of Talbots, run a string of seafood restaurants in Japan as a joint venture).

Still, any Japanese company which is in the business of purchasing assets in the US at the moment would probably do well to show it knows its place; and Jusco's respectful tone coupled with its commitment to leave Talbots to run the business should make chauvinist resistance unlikely. The sector has been expecting an approach from the Japanese for some time, and the only real surprise was the price: rival bidders had thought they might get away with $200m or $250m. But the strong yen talks – and presumably so does the strong D-Mark given that Spiegel's, which bought General Mills's Eddie Bauer unit yesterday for $260m, is a subsidiary of West German retailer Otto Versand.

Chile seeks to buy back $500m of debt

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT, IN LONDON

CHILE is asking its foreign creditor banks for permission to buy back some of its own debt, a significant concession never before granted by banks to a rescheduling country.

The request is part of a rescheduling agreement endorsed by the country's 12 main bank creditors in April, and would in principle allow Chile to buy back its debt at the significant discounts available in the secondary market for developing country debt. Chilean loans can be purchased in this market at slightly over 60 cents for every dollar of face amount.

Mr Hernan Somerville, the country's chief debt negotiator, outlined the package to banks in Londoo yesterday. It requires approval from all the country's 330 or so creditor banks.

Mr Somerville said the debt buy-back plan would be voluntary and limited to a maximum $500m. It would be up to Chile to request specific permission from each bank syndicate before it embarked on buying back the debt or exchanging it for more senior, or collateralised, debt. A two-thirds majority of banks in each syndicate would be required before the exchange could go ahead.

In the agreement, banks in effect are being asked to waive critical elements contained in all previous loan agreements. These elements demand that all creditors are treated equally, forbidding the selective prepayment of certain creditors.

Some Latin American countries have bought back their debt in the secondary market before, but have had to do it by acting secretly through intermediaries.

Mr Somerville says the country wants to return to raising money in the voluntary markets, rather than through forced bank rescheduling. To allow Chile to do this, the agreement also calls for other novel approaches.

These include, for example, the raising of up to $500m in new bank loans, starting with $100m this year. To tempt banks into lending, they could be offered collateral in the form of Chilean goods.

Chile's foreign debt was $18.7bn at the end of March, of which banks' medium and long term debt is about $10.5bn.

Chile has had, arguably, the most successful programme of reducing foreign debt of any rescheduling country, accomplishing it through programmes which swapped debt for equity or for local currency. This has reduced its debt to banks since September 1985 by $3.8bn.

The rescheduling agreement would reduce interest rates on the debt, saving $22m a year.

Baker calls for more economic co-operation

Continued from Page 1

Mr Nigel Lawson, Britain's Chancellor, has done little to disguise his scepticism over the use of economic performance indicators, while the West German government has made it clear that it is wary about any development which might encroach on its national sovereignty in economic policy-making. These doubts may be expressed at a meeting today in Paris.

By contrast, Mr Baker appears anxious to maintain the momentum to co-operation which he established by initiating the Plaza agreement in September 1985.

Bangemann to leave cabinet

BY OUR FOREIGN STAFF

MR MARTIN BANGEMANN, the West German Economics Minister, confirmed last night that he is to resign and stand as a candidate for President of the European Commission.

His announcement, in a television interview, ended weeks of speculation, although he gave no indication of precisely when he would step down.

Mr Bangemann, 53, who has been Economics Minister since 1984, said he would also quit as chairman of the liberal Free Democratic Party (FDP), the junior partner in Bonn's centre-right coalition.

His departure from the post is seen as the reaction of a man who feels wrongly blamed by the party for the its poor performance in recent state elections in Schleswig Holstein and Baden Württemberg.

Dr Helmut Haussmann, FDP secretary general, is seen as a contender to take over Mr Bangemann's post in the Economics Ministry, if it remains in FDP hands. However, it is believed the party may be prepared to trade Economics in exchange for the Interior Ministry.

Count Otto Lambsdorff, the FDP politician who stepped down from the Economics Ministry four years ago because of the Flick Affair, involving the improper use of company funds in connection with party financing, said last weekend he was available as a candidate for the party chairmanship but not for the job as Minister.

After a meeting with Chancellor Helmut Kohl, Mr Bangemann said he would take over one of the two posts on the EC Commission allotted to West Germans.

From that post, he would seek to become Commission president.

He said his candidacy was not directed against Mr Jacques Delors, the French EC Commission President, who has indicated that he would want to continue in the post.

Government officials said Mr Bangemann was likely to join the EC job as early as next January, succeeding Mr Karl-Heinz Narjes.

WORLD WEATHER

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Iran drops opposition to Syrian plan

Continued from Page 1

has been a regular visitor to the Middle East in recent months.

Although he confirmed in Jerusalem yesterday that the hostage issue would be among items on his Damascus agenda, including a planned meeting with President Hafez al-Assad of Syria, it is not clear whether he is taking with him any new ideas on securing their release.

However, negotiations between Iran and Syria over the troop deployment in Hizbollah's south Beirut stronghold are reported to include an attempt to resolve the three-year-old hostage crisis.

Mr Besharati said in Beirut on Wednesday: "In my opinion, if we succeed in solving the conflict going on now, and hopefully it will end soon, the hostage issue will also be solved."

During his Israel visit, Gen Walters told a US television network that he had urged Israel not to take precipitate action against Hizbollah, for fear of endangering the safety of the hostages.

In a two-day operation earlier this month, Israeli troops pushed Hizbollah out of its main stronghold in Lebanon's southern Bekaa valley resulting in the death of nearly 40 guerrillas.

Mr Yitzhak Rabin, Israeli Minister of Defence, is believed to have routinely pressed the US official to include three missing Israeli servicemen in any discussions in Syria over hostages and prisoners-of-war.

Two of the Israelis, captured in Lebanon in February 1986, were last heard of in the hands of Hizbollah, while the third was handed over to the Syrians after being captured by Amal militia.

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Arthur Andersen suspends head of consultancy side

BY JAMES BUCHAN IN NEW YORK

ARTHUR Andersen, the biggest US accountancy firm, said yesterday that it had suspended the head of its domestic consultancy operation because he was planning to take the business away.

The summary dismissal this week of Mr Gresham Brebach, head of Andersen's consultancy practice, indicates a growing tension at big international accountancy firms over their future direction, according to accountants in New York.

In recent years, consultancy has grown strongly at the "Big Eight" accountancy firms, while their tax planning and auditing have become more competitive and less profitable.

"The consulting partners who are making all the money are still made to feel like second-class citizens," said Mr Jim Kennedy, editor of Consultants News.

Mr Brebach, who could not be reached for comment yesterday morning, is the second consultancy chief to leave the giant Chicago firm in under two years.

Mr Victor Millar, who is credited with building up Andersen's operation to the largest and strongest in the US, quit to found the consultancy operation at Saatchi & Saatchi, the UK advertising and corporate service company.

Mr Brebach is reported to have denied that he was trying to take away Andersen's consultancy operation, which generates around $1bn in worldwide revenues or about 38 per cent of Andersen's total.

In the past six years, according to Mr Kennedy, domestic consultancy revenues at the Big Eight have grown from 16 per cent to 23 per cent of total US business.

Meanwhile, increased automation and the winnowing out of potential clients through takeover activity have cut profits in the core auditing business.

"Pressure is beginning to build, particularly at Andersen," Mr Kennedy said. "Soon, they'll get 50 per cent of their business from consulting and they won't know what to call it: an accounting or consulting firm."

Texas Instruments lines up reshape ahead of 1992

BY TERRY DODSWORTH IN LONDON

TEXAS INSTRUMENTS, the US semiconductor group, is reshaping its European activities, in order to take advantage of the removal of trade barriers in the European Community in 1992.

Mr Jerry Junkins, chairman, said in London yesterday that TI was establishing a single European distribution centre and pushing ahead with plans for further rationalisation and integration of its activities in the region.

The moves will include the closure of its chip manufacturing line at Nice in France, along with new investment at its West German plant at Freising.

Last year, TI closed its integrated circuit facility at Plymouth in the UK, transferring its output to Porto in Portugal.

About 500 jobs were lost, and there will be a further slight decline in the group's 9,000-strong European payroll this year because of the action in Nice.

However, the company is increasing productivity and expanding strongly in areas such as semi-custom chips.

As part of the European policy, TI has also listed its shares on the London Stock Exchange, and is planning similar listings in Zurich, Basle and Geneva.

Pay-out to be reduced at Union Carbide

By Our Financial Staff

SHARES IN Union Carbide, the US chemical concern which recently completed a major restructuring, fell sharply early yesterday in the wake of the company's announcement of a cut in its quarterly dividend to 20 cents a share from 37.5 cents.

By lunchtime yesterday the shares, which are a component of the Dow Jones Industrial Average, were off $3⅛ at $17⅞.

Carbide also said it would offer 15m shares of its common stock, market conditions warranting, to raise around $267m at current prices, as part of a further recapitalisation of the company. The offering will be both domestic and international.

Mr Robert Kennedy, chairman, said the combination of high leverage and high dividend payout over the past few years was inappropriate for the company's business strategies.

"To maintain that combination when financial strength and flexibility are required in order to capitalise on the best investment opportunities in years, especially in chemicals and plastics, would be short-changing value."

Mr Kennedy also said Carbide was headed for a strong second quarter and quarterly earnings would substantially exceed the 75 cents a share earned in the first quarter of 1988.

The common stock offering would involve "minimal dilution" and proceeds combined with the dividend cut would reduce debt and interest costs, and lower the company's debt to capital ratio.

At the end of 1987, Carbide had $2.85bn in long-term debt, down from $3.87bn at the end of 1986, according to the company's 1987 annual report.

(Lex, Page 20)

Hitachi digs into the US market with Deere

Nick Garnett reports on a string of joint ventures which are reshaping the US construction industry

THE CONFIRMATION this week that Deere of the US is to set up with Japan's Hitachi a joint production and distribution facility in North Carolina for hydraulic excavators is another example of the remarkable sequence of joint ventures reshaping the North American construction machinery market.

Most of these joint ventures involve the Japanese. In February, Texas-based Dresser Industries said it was pooling its marketing and manufacturing activities in North and South American with Komatsu, the world's second largest earth-moving machinery maker.

Last year Caterpillar, the industry leader, extended and broadened its long-standing joint venture business with Mitsubishi in hydraulic excavators, which involves combined design work and distribution.

Link Belt of the US is also engaged in a long-running partnership with Sumitomo in which it sells Sumitomo excavators under its own brand name.

Clark Equipment, another large US earthmoving machinery maker, threw in its lot with Volvo of Sweden four years ago, forming a joint manufacturing and marketing company called VME.

Of the main construction machinery makers in the US, only J.I.Case, the Tenneco subsidiary has kept away from a major partnership arrangement. Case still has its hands full absorbing its purchases a few years ago of International Harvester and Poclain, the French excavator maker, although it is now sourcing small crawler equipment from Samsung in South Korea.

Joint ventures involving US companies are part of a general upheaval in construction machinery in which companies are queuing up to find partners. Many European companies are involved, the latest of which is Hanomag of West Germany, which is in talks on co-operation with South Korea's Daewoo.

But the deals between US and Japanese companies reflect specific difficulties in the US market. The Japanese producers have found distribution difficult in such a large geographic area and have been desperate to tap into American distribution structures.

DEERE'S FIVE-YEAR RECORD ($m)

Year	Industrial eqpt. sales	Total net income*
1983	654	23
1984	894	105
1985	943	31
1986	868	(229)
1987	912	(99)

*Includes farm machinery. Losses bracketed

At the same time, the yen has exerted tremendous pressure on prices of Japanese machinery in North America and they have been trying to get relief through stepping up production in the US. As a sign of this Komatsu is expanding output of wheel loaders, dump trucks, crawler tractors and other equipment from the 750,000 sq ft (70,000 sq m) facility it opened at Chattanooga, Tennessee last year and Kawasaki is opening an assembly operation for wheel loaders at Newnan, Georgia this year.

Meanwhile, many US companies want some Japanese products to fill gaps in their product lines, particularly for smaller, more versatile machinery for which demand has been rising. Many of the deals centre on the hydraulic excavator for which demand has jumped in North America from 2,400 in 1982 to almost 10,000 last year.

Komatsu appears to have been most affected by the revaluation of the yen and the slide of the dollar. Prices of Komatsu equipment have risen in the US by 20 per cent to 30 per cent since 1985 and prices of some Komatsu products are more than 40 per cent higher than in 1983, according to the Corporate Intelligence Group, the London-based market research company.

Caterpillar, meanwhile, has been able to restrict price increases to between 5 and 10 per cent during the past five years. Partly as a result, Komatsu has been losing market share to Caterpillar.

The deal between Komatsu and Dresser sets up a single company for manufacturing, marketing and engineering in North and South America, covering four Dresser and two Komatsu plants and creating a business of $1.1bn in sales. Komatsu gets access to more manufacturing capacity but it also allows the Japanese company to beef up its distribution capability even though the two companies will keep separate dealerships.

In the deal between Hitachi and Deere, the 50-50 joint venture company will assemble excavators. Although the two companies are maintaining separate dealers, distribution for North and South America is being pooled.

One question about these deals is where it leaves some of the US companies involved. Caterpillar is now making big profits on the back of higher demand in the US, improved market share and higher productivity and is in the industry to stay.

But there has been speculation about whether Deere and Dresser want to remain in construction machinery. Some industry observers say the Hitachi deal will give Deere breathing space to decide what it wants to do. Deere, with sales last year of $912m from construction machinery says it fully intends to stay in the earthmoving equipment business.

The Dresser deal with Komatsu appeared to be the first step in the US company slipping out of the construction plant market, a conclusion Dresser strenuously denies. Some observers believe that because the North American market is picking up and price margins easing, Dresser will remain a supplier for many years.

In joint ventures, however, one partner usually emerges as the lead company. At VME for example, Volvo is clearly in the driving seat and the company is virtually a Swedish run operation. In joint deals with Japanese companies, it is usually the Japanese who come out on top.

SmithKline to invest in Nova

BY ANDREW BAXTER IN LONDON

SMITHKLINE BECKMAN, the US drugs group, has agreed to invest an eventual $49m in Nova Pharmacautical, a small Baltimore-based concern which is developing potentially promising new treatments for controlling pain and common cold symptoms.

SmithKline is to pay $25m for 2.7m Nova shares and warrants to acquire another 775,000 shares at $9.28 each.

SmithKline has also agreed to make a further $24m investment in Nova in 1991 on similar terms, based on Nova's market price at that time.

The deal is a major boost for Nasdaq-quoted Nova, and values the entire company at least $150m based on its 22.5m shares outstanding, despite the fact that Nova's products are still in development and testing.

Nova's main line of research is into bradykinin, a chemical substance manufactured in the body which the company believes plays an important role in the production of pain.

Nova's "bradykinin antagonists" block bradykinin.

Nova, whose chairman is Mr John Huck, former chairman of Merck, was granted a US patent for its antagonists in September, the first for such substances. Simultaneously it received approval from the US Food and Drug Administration to conduct human clinical studies of a new brain cancer treatment.

One of the company's bradykinin antagonist compounds is currently in clinical trial for treatment of allergy and cold symptoms.

Thomson CSF announces major reorganisation plan

BY PAUL BETTS IN PARIS

THOMSON CSF, the French, state-controlled defence and professional electronics group, announced yesterday a wide-ranging industrial redeployment and restructuring plan to strengthen its competitiveness.

The plan involves creating new industrial and service units while closing and reorganising a number of facilities.

The company recently reported profits of FFr2.6bn on sales of FFr35.9bn ($6.2bn) for last year.

It said the plan would simplify and enhance the efficiency of the group's industrial structures.

It is emphasising optronics and high-speed, high-power gallium arsenide semiconductors. It plans a new optronics division, while its THM subsidiary will focus on the development of gallium arsenide semiconductors.

Thomson CSF also plans to regroup its service and support operations in one unit.

INTL. COMPANIES AND FINANCE

French and Belgian steel makers form joint venture

BY GEORGE GRAHAM IN PARIS

USINOR SACILOR and Cockerill Sambre, the French and Belgian state-owned steel groups, are to pool their operations in two product areas, continuing an effort at restructuring their activities.

A new joint venture, Lamines Marchands Europeens (LME), will be formed immediately to market the merchant bar output of Usinor's Metalescaut subsidiary and Cockerill's Ruau works. Its sales will total FFr1.08bn ($178.8m) to 1988.

Arbed, the Luxembourg steel group, may also join in LME, which, within two years, will also take over the two production plants, with combined capacity of 500,000 tonnes a year of bars.

The second joint venture, still at project stage, would merge Usinor's and Cockerill's mill roll operations. The combination of Chavanne Ketin in France with OSB in Belgium would produce a group with combined sales of around FFr625m, putting it among the world leaders in the production of forged, moulded and centrifugally cast rolls for rolling mills.

Usinor will have the majority in both of these joint ventures, and will also take over Cockerill's grain-orientated electrical sheet business, which the Belgian company has decided to abandon.

The French steel group, which has been a heavy lossmaker for years, has already undertaken a restructuring of its activities and has agreed on a number of cross-border joint ventures – with Arbed for sheet piling and rails, and with Riva, the Italian private sector steelmaker, for concrete reinforcing bars.

The group recorded total net losses of FFr5.5bn last year – after restructuring provisions and other exceptional losses of FFr4.5bn – compared with FFr12.5bn in 1986.

In the first half of 1988, however, it expects to produce operating profits of at least FFr2bn. Although doubts remain about the second half, no further exceptional provisions are anticipated, so Usinor Sacilor should produce its first net profit for the year as a whole.

The sheet and stainless steel divisions, already profitable in 1987, have improved their results so far this year, while the heavy losses of 1986 and 1987 in the long product and special steel divisions are expected to be much reduced, with results close to breakeven for the year.

Lufthansa expects further rise

BY ANDREW FISHER IN FRANKFURT

LUFTHANSA, the West German national airline, expects a further rise in profits this year after increasing net income in 1987 by 34 per cent to DM86m ($50.5m).

But Mr Heinz Ruhnau, the chairman, said that growth in the domestic market was being hindered by airport capacity problems and lengthy flight delays.

Turnover showed a 6 per cent gain to DM11.1bn last year. The improvement in profits, with the pre-tax figure 48 per cent higher at DM199m, came despite tha effect of the lower dollar.

Mr Klaus Schlede, the finance director, said exchange rate changes cost some DM120m.

Unlike previous years, the airline, in which the state has a near 80 per cent stake, gave no figures to show its performance on flight operations.

In 1986, these produced a loss of DM251m, the overall profit coming from ground-based operations such as check-in and reservations; from its Condor charter subsidiary and other companies; and from aircraft sales.

Mr Ruhnau said the airline preferred to produce an overall result because it believed that separating flight and other activities was misleading.

As in the previous year, it is holding its dividend at DM3.50. Investments again totalled around DM1.7bn, of which 75 per cent was financed from cash flow.

Commenting on 1988, he said the first four months had started well. Passenger uumbers and freight had both increased by nearly 9 per cent, with the pre-tax group result improving by DM44m from a loss of DM182m to one of DM138m.

This should mean that the usual airline loss of the early months would be succeeded by a quicker move through the break-even level in the summer.

Lufthansa's main growth area this year would be the Far East, followed by Europe. Passenger traffic for the whole year should rise by at least 6 per cent after an increase of nearly 11 per cent to 18.4m in 1987.

Freight, up by 14.5 per cent to 727,000 tonnes last year, should rise by a further 5 per cent.

Ailing Fokker plans $56.3m rights issue

By Laura Raun in Amsterdam

FOKKER, the Dutch aerospace group, has launched the Fl 107m ($56.3m) rights issue in which the Dutch Government will take up to 49 per cent of the financially troubled company.

Subscriptions for the 5.3m shares, priced at Fl 20, will close on May 27. The Dutch Government, which owns none of Fokker at the moment, will acquire a maximum of 49 per cent, depending on how many shareholders exercise their pre-emptive rights to the issue.

In its prospectus, Fokker said it expects to pull out of the red this year after a loss of Fl 107m in 1987. Severe production delays in its two new planes, the Fokker 50 and Fokker 100, and the low dollar were to blame.

At the end of last year, a Fl 762m rescue package for Fokker was announced in which both the Government and commercial banks were involved. The Government is providing Fl 212m in equity and convertible subordinated loans and commercial banks Fl 500m in fresh credit.

Pharmacia ahead by 6%

BY SARA WEBB IN STOCKHOLM

PHARMACIA, the Swedish biotechnology and pharmaceuticals group, increased profit (after financial items) by 6 per cent to SKr217m ($36.6m) in the first quarter.

The group said that lower interest income, resulting from its active acquisition programme during 1986 and 1987, held the profit increase in check.

Pharmacia expects profits (after financial items) to continue to increase in the current year, given prevailing exchange rates. But the group warned that the deterioration in net interest income and effect of the low dollar would have a "restraining effect."

Operating profit increased by 11 per cent to SKr224m in the first quarter and group sales rose by 15 per cent to SKr1.57bn, helped by strong growth in the Japanese, French, West German and UK markets.

Sales in Japan increased by 33 per cent in local currency terms and by 47 per cent in terms of Swedish kronor.

However, sales in the US only grew by 2 per cent in kronor terms due to the weak dollar.

Sales of diagnostics products jumped by 26 per cent to SKr285m, mainly due to expansion in the allergy testing area.

The ophthalmics division sales rose by 18 per cent to SKr254m as Pharmacia's product Healon (a gel used in eye surgery) showed strong growth in the Japanese and European markets.

Oerlikon may break even

BY JOHN WICKS IN ZURICH

OERLIKON-BUEHRLE, the Swiss industrial conglomerate, expects to "come close to breakeven" this year. Mr Dieter Buehrle, the chairman, said that "the earnings situation must and will improve."

He indicated, however, that there was unlikely to be a resumption of dividends in the near future, saying it was hoped the shareholders would receive "something concrete in two to three years."

Last year, Oerlikon made a net loss of SFr115.2m ($81.7m) following a loss of SFr69.8m in 1986. Mr Buehrle said turnover, down 11.9 per cent in 1987 to SFr4.11bn, was expected to increase by some 5 per cent this year.

A reason for last year's setback in military equipment, which accounted for most of the overall loss, was the "virtual ban" on arms exports imposed by the Italian Government. The strength of the Swiss franc also kept margins under pressure.

Mr Michael Funk, who is to become chief executive on July 1, said losses in the military division would be substantially smaller this year. The aim was to return this unit to profit for 1989.

Mr Buehrle said the machines division should return to profit following 1987 divestments in the US. Elsewhere, to the civilian sector, he forecast improved results for the welding division and the Bally shoe business.

Balzers and the aircraft operations expected results at about 1987 levels.

Olivetti sales increase by 11%

By Alan Friedman in Milan

ITALY'S Olivetti data processing equipment maker said yesterday its sales have risen by 11.7 per cent in the first four months of 1988 to L2,190bn ($1.7bn).

After the company's annual meeting of shareholders in Ivrea, Mr Carlo De Benedetti, Olivetti chairman, declined to forecast 1988 profits, but said orders in the first four months of this year were up by 11.3 per cent to L2,383bn.

Mr De Benedetti said his recent move to increase from 14 to 20 per cent the Olivetti equity stake held by CIR (his holding company) was "not a defensive move, but an investment."

The purchase of more Olivetti shares brings CIR to within a whisker of the stake held by American Telephone & Telegraph, with which Olivetti has had significant differences.

Yesterday Mr De Benedetti glossed over these differences and said relations with AT&T were fine. He forecast 1988 sales of more than 120,000 Olivetti personal computers to AT&T against 44,000 last year.

Turin bank buys Banque Vernes

By Alan Friedman in Milan

ISTITUTO San Paolo di Torino, the Italian commercial bank, has put up L215bn ($173m) to acquire Banque Vernes et Commerciale, a Paris-based bank.

San Paolo said it had bought the 28-branch Banque Vernes in two stages, having first acquired 49 per cent last December and completing the transaction only recently. A significant portion of the shares was acquired from the Suez group.

Banque Vernes had 1987 total assets of FFr15bn, outstanding loans totalling FFr8.7bn and a deposit base of FFr8.1bn.

Hapag sees stable profits in short term

By Kevin Brown, Transport Correspondent

HAPAG-LLOYD, the West German shipping and tourism group, expects net profits to remain at around DM71m ($41.2m) this year, the executive board said yesterday.

It said results from container shipping were not expected to show sustained improvement in the short term, but forecast "excellent earnings" from tourism.

Mr Hans Jakob Kruse, chairman, said: "We believe that 1988 will be a good year. Shipping will be better, but not good enough because of the overhang of tonnage; but we are confident that in three or four years' time shipping will be a good industry to have a share in.

"We think we have the cost structure and systems to be competitive and make a better return than we make today."

Hapag-Lloyd's detailed results, released yesterday, show that revenua fell from DM3.4bn to DM3.2bn last year. Operating profits fell from DM393m to DM323m. However, the depreciation charge was reduced from DM276m to DM196m. Profits rose from DM105m to DM131m at the pre-tax level, and from DM53m to DM71m after tax.

Mr Bernd Wrede, deputy chairman, said the fall in turnover was caused solely by a reduction of 11 per cent in revenues from container shipping, which was attributable entirely to the devaluation of the US dollar against the D-Mark.

Mr Wrede said liner shipping revenues had fallen by 40 per cent since 1985, during a period in which the average rate of exchange fell from $1 = DM2.91 to $1 = DM1.79.

The impact on D-Mark earnings has been reduced, however, by savings in the 75 per cent of costs which are incurred in dollars. In addition, the volume of containers transported increased by 6 per cent last year.

Container shipping accounted for 62 per cent of 1987 turnover compared with 65 per cent last year. Tourism earnings, which the group wants to increase, provided 28 per cent of revenue compared with 26 per cent.

Astra earnings increase by 10%

By Our Stockholm Staff

ASTRA, the Swedish pharmaceuticals company, increased earnings (before appropriations and taxes) by 10 per cent to SKr333m ($56.4m) in the first quarter, while sales rose by 11 per cent to SKr1.48bn.

The group expects sales to increase by more than 10 per cent in 1988, but warned that profits would increase at a slower rate than sales.

The rise in first-quarter profits was mainly due to strong demand from the Swedish and West German markets.

Sales of agents for respiratory diseases increased by 18 per cent to SKr345m while sales of local anaesthetics rose by 15 per cent to SKr312m. However, sales of cardiovascular agents only showed a 4 per cent increase to SKr294m.

INTERNATIONAL COMPANIES AND FINANCE

BNZ lifts earnings by 22% to NZ$182m

By Dai Hayward in Wellington

BANK of New Zealand, in its first full year as a quoted company, yesterday surprised financial forecasters by recording net profits of NZ$181.6m (US$125m), a jump of 22.3 per cent. With extraordinary earnings of another NZ$17.3m, total profit was NZ$198.9m.

The increase for the year ended in March comes despite having to provide for bad debts. Only a small proportion of these will be recoverable and the bank has written off NZ$169.9m. This compares with only NZ$85.8m written off last year and reflects the effect of the October stock market crash. The bank has provided another NZ$194.7m for doubtful debts.

It has also written down its investment portfolio from the previous book value of NZ$157.3m to NZ$134.9m. In addition, it has nearly halved the valuation of its stake in European Pacific Investments, a Luxembourg vehicle, from NZ$63.7m to NZ$37.8m.

Reduced taxation payments and the benefit of tax credits from overprovision in earlier years helped swell this year's profit figures.

Tax payments were down by almost 40 per cent to NZ$73.4m. The bank's assets increased by 20.4 per cent during the year to NZ$17.6bn. Average return on assets was slightly down at 1.13 per cent compared with 1.15 per cent.

The bank assesses the net tangible asset backing for its shares at NZ$1.26.

Sir Ron Brierley, the chairman, said the bank had covered all its known potential losses and had provided a substantial cushion for any doubtful debts or high-risk loans.

BNZ had negligible exposure by way of loans to underdeveloped countries, he added. Where required, its exposure and security arrangements for loans and its portfolio had been adjusted.

Sir Ron said there had never been a more difficult year. Despite this, the bank had made substantial progress, increasing the volume of its business and also its range of services. He was optimistic on prospects for the current year.

A final dividend of 4.5 cents makes a total for the year of 7.5 cents. The Government retains 87.8 per cent of BNZ following a partial public flotation.

● Paladin Investments of New Zealand is to merge with Paladin International, its Hong Kong-listed subsidiary, to form a new company incorporated in Bermuda, AP-DJ adds from Hong Kong.

Minority shareholders in the Hong Kong unit will emerge with up to 56.5 per cent control of the new Paladin. New Zealand Equities, parent of Paladin Investments, will hold not more than 35.5 per cent.

Westpac in A$740m rights issue

BY BRUCE JACQUES IN SYDNEY

WESTPAC BANKING Corporation, Australia's biggest bank, yesterday launched a rights issue to raise A$740m (US$570.8m) – only a day after second-ranking National Australia Bank called on shareholders for A$603m.

The issues, while accompanying a good set of interim results from the sector and emphasising Australian banks' appetite for capital in an internationally competitive environment, place an unprecedented weight of bank paper on the country's jaded stock market.

Moves by the two banks – which have not been matched by ANZ, the other member of Australia's Big Three – also add fuel to speculation of imminent mergers within the industry. The three have all expressed interest in any federal government sale of the only other major bank, the Commonwealth, and there have been rumours of possible deals among the private sector banks.

Mr Stuart Fowler, Westpac's managing director, indicated yesterday that one reason for the share issue was indeed to keep the bank cashed up and ready for acquisitive opportunities. He declined to be more specific but said the move also stemmed from concern that the Reserve Bank of Australia would tighten banks' capital requirements, forcing them to top up on equity.

The Westpac rights issue is on a one-for-four basis at A$4.50 a share. Shares in the bank fell 12 cents yesterday to A$6.06. The one-for-five offer from NAB on Wednesday was priced at A$4.60, and its shares shed 14 cents yesterday to A$5.40. ANZ shares, at A$4.15, were also 14 cents lower.

The A$1.34bn in rights issues will sorely test shareholders' capacity to pay. But the biggest test is reserved for one of Australia's band of fallen entrepreneurs, Mr John Spalvins, chief executive of the Adelaide Steamship group.

After a huge share-buying sally last year, Mr Spalvins has emerged as one of Australia's largest bank shareholders with holdings of about 15 per cent in NAB, 7 per cent in Westpac and 8 per cent in ANZ. To maintain these interests, Mr Spalvins will have to find about $140m.

Westpac's rights issue, as well as being pitched at a generous discount, will be followed by a one-for-five scrip issue with shares from the cash issue participating fully.

It is also lifting its interim dividend from 14 cents to 15 cents a share. Mr Fowler said that, when the two issues were complete, shareholders would be receiving a 30 per cent increase in payout. The bank also planned to raise its distribution ratio from the current 33 per cent to about 42 per cent in 1988–89.

At the same time, Westpac completed a buoyant round of March half-year results from the banks, reporting a 58.5 per cent boost in after-tax earnings to A$280.3m from A$177.2m.

Mr Fowler said the result excluded an A$95.1m abnormal profit on sale of the company's main Melbourne premises, but that this was almost fully offset by an A$50m provision against Third World debt and an A$43.4m extraordinary loss. The bank also wrote off an additional A$12.9m of Mexican debt following a restructuring and made a further A$10.1m general provision against bad and doubtful debts, taking provisions to 1 per cent of outstanding trading bank loans.

Another feature of the Westpac result was a 33 per cent increase in fee-based income to A$655m, an area Westpac is keen to develop, especially in foreign exchange and merchant banking. The bank's total assets grew by 17.3 per cent to A$80.7bn.

A breakdown of earnings showed trading bank activities increased their profit contribution by nearly 39 per cent to A$150.1m while savings bank earnings jumped an impressive 68 per cent to A$36.2m reflecting a big increase in deposits following the "flight to quality" after the October stock market crash.

Australian Guarantee Corporation, the bank's finance arm, also performed strongly, lifting earnings by 83 per cent to A$46.8m.

The result followed an 80.3 per cent increase in the tax bill to A$284.2m reflecting a fall in non-taxable income. Operating revenue rose 14.8 per cent to A$4.9bn and the result represented a 17.8 per cent return on shareholders' funds, up from 12.7 per cent.

Formal inquiry into Bell Group share sale

By Our Sydney Correspondent

THE NATIONAL Companies and Securities Commission (NCSC), Australia's market regulator, yesterday announced a formal inquiry into last month's sale of nearly 40 per cent of the shares in Bell Group by Mr Robert Holmes à Court, its chairman.

The private hearing will begin on Monday and follows a two-week investigation by the NCSC. Written questions will be put to the two purchasers of Mr Holmes à Court's shares – Mr Alan Bond's Bond Corporation and the West Australian Government-owned State Government Insurance Commission (SGIC).

Immediately after the deal, the NCSC asked the Perth-based Bell Group not to make any board changes pending an investigation. That request has so far been honoured but Mr Bond and the SGIC have stated they want board representation soon.

One of the key questions to be determined by the NCSC inquiry is whether Bond Corporation and the SGIC, which bought almost identical 19.9 per cent parcels of Bell Group scrip from Mr Holmes à Court on the same day, should be regarded as associates. If this is the case, the commission may be able to force them to make a full bid for Bell Group.

The sale by Mr Holmes à Court, at prices well above the ruling market level for his hard-hit investment company, has earned widespread criticism for its apparent failure to accommodate small shareholders.

The decision to hold an inquiry follows criticism of the NCSC in the federal parliament on Wednesday by Mr Lionel Bowen, Attorney-General in the ruling Labor Government, who expressed concern at the time taken on investigating the deal.

Japanese consumer credit groups increase profits

BY CARLA RAPOPORT IN TOKYO

JAPAN'S two largest consumer credit services showed increased profits for the year to March as the Japanese are spending more of their money on leisure pursuits.

Nippon Shinpan yesterday produced pre-tax profits up 7 per cent to Y23.7bn ($189.7m) while the previous day Orient Finance reported a 14 per cent rise to Y30.2bn. Both companies cited the increased business in loans for overseas travel and projects such as resort and golf course construction, as major reasons for the advances.

Orient Finance revenues were Y326bn compared with Y281bn while Nippon Shinpan showed revenues of Y243bn against Y237bn. In the current year, Orient Finance projects a strong advance, with revenues of Y340bn and pre-tax profits of Y33bn. Nippon Shinpan sees a more modest advance.

Orient Finance pointed out that its project financing business in the year jumped 91 per cent and covered deals worth Y1,380bn. Of these, about 40 per cent are accounted for by golf course and resort-area condominium construction.

Price-cutting pressure hits Alps Electric

BY OUR TOKYO STAFF

ALPS ELECTRIC, a leading Japanese maker of electronic components, suffered a 25 per cent drop in pre-tax profits for the year to March as it remained under pressure from customers to cut its prices because of the yen's appreciation and their own increasing tendency to source more components abroad.

On sales slightly higher at Y304.1bn ($2.43bn) against Y302.2bn, profits dropped to Y10.28bn from Y13.99bn. In the current year, however, a recovery is forecast with sales expected to hit Y310bn and profits Y13bn.

● Ricoh, one of the country's largest office equipment companies, reported a sharp recovery as the demand for office equipment and electronic musical instruments surged both at home and abroad.

Pre-tax profits rose by 46 per cent in the year to March to Y27.08bn, the first gain in three years. Thanks to a strong export performance, sales were up by nearly 15 per cent to a record Y560bn. Exports surged by 36 per cent despite the rising yen, with facsimile machines and laser beam printers showing a 79 per cent increase in overseas sales.

United Engineers returns to Kuala Lumpur SE

BY WONG SULONG IN KUALA LUMPUR

UNITED ENGINEERS Malaysia (UEM), a controversial contracting company, yesterday made a disappointing return to the Kuala Lumpur Stock Exchange after a five-year suspension.

The shares opened at 4 ringgit and fell to close at 3.86 ringgit. This compares with a suspension price of just 1.27 ringgit, but was well below the 5 ringgit level expected by stockbrokers.

The market as a whole was firm despite the steep falls on Wall Street and in Tokyo. One leading broker said that, on the one hand UEM did not qualify for inclusion in local fund managers' portfolios, while on the other, foreign interest was being scared off because of political controversies surrounding the company.

UEM, then loss-making, was taken over in 1986 by Hatibudi, a trust company of the ruling United Malays National Organisation of Dr Mahathir Mohamad, the Prime Minister.

Last Thursday, UEM officials organised a briefing for 80 leading UK, Hong Kong, Singaporean, and Malaysian stockbrokers on the future prospects of the company, with particular reference to the 4.5bn ringgit (US$1.74bn) north-south highway contract which it was awarded by the Government last March.

Following the briefing, Rashid Hussain Securities, a local broker, was believed to have placed a block of 10m UEM shares with Singapore investors at 4 ringgit per share. A further 3m shares changed hands yesterday.

Following a restructuring, the company has 75m shares in issue, valuing it last night at 291m ringgit. It expects pre-tax profits of 32.6m ringgit for its current year.

JAPANESE COMPANY RESULTS

CASIO COMPUTER
CALCULATORS, WATCHES

Year to	Mar 88 Y	Mar 87 Y
Revenues (bn)	211.2	209.2
Pre-tax profits (bn)	8.35	9.84
Net profits (bn)	4.33	3.23
Net per share	17.77	14.16
Dividend	14*	12.50

PARENT COMPANY
*Includes Y7.50 special payment

SHIMADZU
PRECISION EQUIPMENT

Year to	Mar 88 Y	Mar 87 Y
Revenues (bn)	133.5	138.5
Pre-tax profits (bn)	11.59	9.53
Net profits (bn)	5.79	4.97
Net per share	22.09	19.32
Dividend	9	9

PARENT COMPANY

MAKINO MILLING MACHINE
MACHINE TOOLS

Year to	Mar 88 Y	Mar 87 Y
Revenues (bn)	38.2	39.8
Pre-tax profits (bn)	-0.99	1.86
Net profits (bn)	0.31	0.79
Net per share	3.40	8.65
Dividend	5	5

PARENT COMPANY

DAINIPPON INK AND CHEMICALS
PRINTING INK, RESINS

Year to	Mar 88 Y	Mar 87 Y
Revenues (bn)	417.7	389.8
Pre-tax profits (bn)	14.51	12.08
Net profits (bn)	6.23	5.94
Net per share	9.63	9.16
Dividend	6.50	6

PARENT COMPANY

SUMITOMO REALTY
PROPERTY

Year to	Mar 88 Y	Mar 87 Y
Revenues (bn)	126.9	91.1
Pre-tax profits (bn)	21.70	16.54
Net profits (bn)	11.91	7.79
Net per share	26.66	23.26
Dividend	9	9

PARENT COMPANY

MITSUI REAL ESTATE
PROPERTY

Year to	Mar 88 Y	Mar 87 Y
Revenues (bn)	394.9	320.7
Pre-tax profits (bn)	38.35	30.32
Net profits (bn)	18.60	15.26
Net per share	27.37	24.51
Dividend	13.50	13

PARENT COMPANY

DAIWA HOUSE INDUSTRY
HOMEBUILDING

Year to	Mar 88 Y	Mar 87 Y
Revenues (bn)	462.2	386.1
Pre-tax profits (bn)	33.61	22.26
Net profits (bn)	14.38	10.05
Net per share	33.48	25.63
Dividend	11.50	10.30

PARENT COMPANY

TOKYO ELECTRON
ELECTRONICS IMPORTING

Half-year to	Mar 88 Y	Mar 87 Y
Revenues (bn)	52.77	34.13
Pre-tax profits (bn)	2.50	0.38
Net profits (bn)	1.31	0.32
Net per share	11.77	3.30
Dividend	4	4

PARENT COMPANY

ORIENT LEASING
LEASING, CREDIT

Half-year to	Mar 88 Y	Mar 87 Y
Revenues (bn)	242.1	229.9
Pre-tax profits (bn)	10.13	18.21
Net profits (bn)	3.82	1.86
Net per share	36.01	33.75
Dividend	6	6

PARENT COMPANY

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

BIS forcing Japan's banks to toughen up

JAPANESE BANKS, the world's largest, could be handicapped in their efforts to compete in world markets by the need to comply with a strict new international code on balance sheet strength. But by rapidly raising new capital and cutting the pace of expansion they hope to minimise their disadvantages.

The new code on capital adequacy will be finalised next month by the Bank for International Settlements, the central bankers' club. The rules will be the same for all countries, but Japanese banks will face a more difficult time in conforming than their Western rivals – because they are by Western standards undercapitalised.

The chief aim is to create unified regulatory standards in world financial centres by a deadline of 1992. However, the plans also reflect angry protests from Western banks that in Japan domestic regulations governing banks have been too soft.

Japanese commercial banks have got off to a flying start in raising the new funds they will need – gathering over Y1,5000bn in the last year, thanks to the strength of the Tokyo stock market. This is only the beginning of a five-year programme which analysts say will have to raise Y7,000bn – Y8,000bn in equity and convertible bonds.

The total is less than 10 per cent of the market capitalisation of the banking industry. Nevertheless, there are some fears of the impact bank issues could have on the market as a whole. "There is always a risk . . . of precipitating another stock market crash or crowding out other companies' issues," says Mr Nozomu Kunishige, an analyst at broker Citicorp Scrimgeour Vickers.

But the banks acknowledge that they cannot meet the new capital adequacy standards by fundraising alone. They are also having completely to reform the way they do business – cutting greatly the speed at which they have expanded for most of this decade.

Moreover, they are having to do this at a time when the liberalisation of the Tokyo financial markets is greatly increasing the competitive pressures on banks; and when international trade frictions in finance are getting worse.

Stefan Wagstyl on efforts to comply with proposed capital adequacy requirements

Nomura Research Institute estimates that, in order to limit their fund-raising to Y7,000bn – Y8,000bn, Japanese banks will have to slow asset growth to 7 per cent to 8 per cent a year – down from an average of 12-13 per cent annually over the past 10 years.

"Banks must slow down their asset growth. There will be no other way to do this," says Mr Teruyuki Takahashi, a general manager at the Federation of Bankers' Associations of Japan.

It is improbable that a major Japanese bank will fail to meet the planned standards on capital adequacy *in time for the deadline* of 1992. But the new rules will increase the competitive pressures on banks. Stronger banks are likely to increase their lead over the weak – taking advantage of the opportunities opened up by financial liberalisation.

The BIS will demand that by 1992 all banks raise their capital to 8 per cent of their total assets. At least half of this must be "core" capital – that is equity. The rest can be "supplementary" – including 45 per cent of unrealised gains on securities holdings. This is a very important clause for Japanese banks which have large hidden assets – at the last count Y30,000bn for the 13 city (commercial) banks alone.

On the basis of the BIS rules, the city banks and the three long-term credit banks, which are the most prominent Japanese banks in international markets, currently have ratios of about 6 per cent.

Banks are doing their best to emphasise the potential pitfalls they face – in order to persuade the Ministry of Finance to lift some of the restrictions imposed on fundraising.

The ministry, which allowed banks to issue domestic convertible bonds (CBs) only last year, is now studying three main options: the issue of CBs redeemable only in shares, of the kind allowed in the US; the introduction of subordinated notes; and easing rules on preference share issues. Under BIS rules, all these instruments would rank in the supplementary capital category.

The ministry's difficulty is that relaxing rules on fundraising runs straight into the barriers imposed by Japan's laws on separating different kinds of financial companies – which were modelled on the US Glass-Steagall Act. So the plans have provoked furious arguments about access to markets between banks and securities houses, and between city and long-term banks.

Nevertheless, given that the thrust of Japan's regulatory policy has been to bring down barriers slowly, some concessions to banks are expected.

At the same time as beginning the huge fundraising exercise, Japanese banks have started *mapping out their strategies for limiting asset growth.*

"The new standards are too high for Japanese banks, so we'll have to change our volume-oriented lending strategy," Mr Kenichi Kamiya, chairman of Mitsui Bank, said earlier this year.

This involves a managerial overhaul, which banks are already trying to put into effect. At some banks, branch managers have been instructed to seek higher-margin business – lending to individuals and small businesses, for example, instead of to large corporations.

The core business of lending to big Japanese companies is also changing. Banks are, for example, reducing the system of compensatory deposits – whereby borrowers are required to deposit large sums of money with the bank so that the actual interest rate is increased. Instead, more lenders are extending conventional loans with higher rates of interest.

Moreover, banks have stepped up their efforts to win greater access to lucrative securities-related business, pleading that the BIS rules have made this essential. At home, it is slow going in the face of opposition from the securities houses. Abroad, expansion in narrowly-defined areas continues – such as in mergers and acquisitions. Other kinds of fee-based services are being increased.

Meanwhile, banks hope to be able to prune their loan books by selling some of their assets to institutional investors. For example, the Finance Ministry is considering a plan to allow city banks to place some of their housing loans into trust funds.

The difficulty for the banks is that all are being forced to follow the same strategies simultaneously. As a result, weak banks are likely to be squeezed by their stronger rivals.

Mr Stuart Matthews, banking analyst with broker Barclays de Zoete Wedd in Tokyo, says that, among the top five banks, Mitsubishi Bank and Fuji Bank are in the best position because of their existing strong capital bases. Dai-Ichi Kangyo, currently the largest bank and one of the fastest-growing over the last five years, has a weaker capital base in relation to its assets. As a result, it could be forced to slow down faster than its rivals. Mitsubishi and Fuji could well overtake Dai-Ichi Kangyo by 1992, says Mr Matthews.

The strongest of Japan's 64 regional banks could also be well-placed to expand, because their capital ratios are generally higher than those of the city banks. But if financial liberalisation grants bigger freedoms to the city banks, the regional banks could find their expansion routes blocked.

Another comparatively well-capitalised group are the trust banks, whose main business is fund management. Like the city banks, they want to branch into securities-related activities – but, like the city banks, they face intense opposition from the stockbroking companies.

Overall, Mr Kunishige at Citicorp Scrimgeour Vickers believes that "in the long-run, Japanese banks should become, not only more sound but also more profitable." In other words, they could eventually be even more formidable competitors for Western banks in the 1990s than they have been in the 1980s.

Trading restricted to professional switching

BY DOMINIQUE JACKSON

FALLS IN global share prices amid fears of increasing upward pressure on inflation and interest rates *unnerved the* Eurobond market yesterday. Volume in most sectors was low and trade virtually restricted to professional switching. Only four new issues emerged.

Sentiment in the Eurodollar sector was overwhelmingly bearish in the wake of Wednesday's sell-off in the US Treasury market. However, prices at the shorter end received some support yesterday from an anticipated flight to quality after world stock markets slipped in concert. Eurodollar bonds closed narrowly easier in thin trade.

The uncertainty on New York markets has affected European trading adversely. West German markets were moribund following a recent bearish run. There was little buying interest ahead of a long holiday weekend although position squaring by some dealers brought some prices back up from recent lows.

No new D-Mark Eurobonds were launched as the market is still struggling to absorb the DM700m of new paper issued this week. However, Wednesday's DM250m deal by IBJ for Japan Highway was reported to be trading back within its total fees after slipping badly after launch. This was attributed to aggressive support by the lead manager. Dealers said that, although the government-backed borrower was an excellent credit, the bond suffered from poor market conditions at launch.

UK government gilts and Eurosterling bonds at the longer end of the market slipped on the release of stronger than expected lending data. News that M4 bank and building society loans rose to £8.2bn in April from £6.8bn in March sent some longer maturities down by more than ½ point. However, buyers returned to the market at these lower levels and the market was further supported by the resilience of sterling on the foreign exchanges. By the end of the day, prices finished barely changed from opening levels.

Two new Canadian dollar deals emerged. UBS Securities brought National Australia Bank to the market again following a successful Canadian dollar issue in April. The new three-year C$75m 10 per cent deal at 101¾ is intended to be fully fungible with

INTERNATIONAL BONDS

its predecessor. The new issue saw demand from the Far East where syndicate managers have detected a growing appetite for the currency. However, some added that the customary Continental retail investors are no longer overly keen on Australian borrower names. The deal was deemed reasonably priced at a yield margin of 38 basis points over comparable Canadian government bonds at launch. The previous deal is already trading below the government bond yield curve and the new one was bid at a discount of 1¼ against fees of 1⅞.

Barclays Bank also tapped the Canadian dollar sector with a C$100m 10¼ five-year deal at 101¾ through Kidder Peabody Securities. Although there has been a constant supply of five-year paper in the sector so far this year, the yield margin, at 48 basis points over government issues, was not considered unreasonable.

Dealers still [illegible] be slower [illegible] for [illegible] day, it was [illegible] 1¼ against [illegible]

IBJ [illegible] Western [illegible] the European [illegible] Y10bn five-year [illegible] at 101¾. Nikko [illegible] lead manager.

[illegible] Bank [illegible] step-up [illegible] Yamaichi [illegible] Y10bn five-year [illegible] carry a coupon of [illegible] the first two years [illegible] per cent thereafter. [illegible] not expected to trade [illegible]

In Switzerland, dealers [illegible] undertone was [illegible] the market still [illegible] US Treasury market. A move by the Swiss banks to raise [illegible] rates by ¼ point [illegible] depressed sentiment [illegible] extremely low turnover [illegible] where changed, were narrowly easier. [illegible] day weekend [illegible]

A convertible issue of [illegible] was launched for Japanese [illegible] furniture company [illegible] Handelsbank NatWest led the deal on which the coupon was indicated at 1⅞.

BNY casts doubt on Irving vote

BANK OF New York, which stunned Wall Street on Tuesday by offering to increase its offer for Irving Bank, has continued its offensive by questioning a key vote that had denied it control of its crosstown rival's board, writes James Buchan in New York.

Bank of New York, which on Tuesday offered to increase its cash-and-shares offer if Irving's management dropped its fierce opposition to the takeover, said it believed the outcome of the May [illegible] board election at Irving was in doubt.

The mid-sized banking group, which seemed to have lost its bid to oust Irving's hostile directors when the votes were published on Monday, said that the independent scrutineer did not include some [illegible] shares that stockholders tried to vote in favour of the Bank of New York's nominees. The group [illegible] had a $18,000 margin in a special issue of preferred stock.

Endesa offer underwritten

INSTITUTO NACIONAL de Industria of Spain says a combined worldwide offering of 53m shares in its 96 per cent-owned subsidiary, Empresa Nacional de Electricidad (Endesa) was underwritten last Friday at an offer price of Pta1,400 per share, AP-DJ reports from New York.

The combined offering includes 39m shares offered in Spain, 9.6m American depositary shares offered in the US, and 4.4m shares offered elsewhere.

The subscription period in Spain will end on May 28.

Japanese launch foreign trusts

BY STEFAN WAGSTYL IN TOKYO

EVER-ANXIOUS to find new vehicles for the huge flow of investment funds in Japan, the Big Four Japanese stockbroking companies are launching Y1,000bn-worth of new overseas investment trusts.

These offer investors elaborate protection against currency losses, so as to attract institutions fearful of the risks of a further decline in the US dollar.

The securities companies hope that institutions will be attracted by the higher yields available on foreign instruments, especially US Treasury bonds, compared with investments in Japan.

Investors have been discouraged from overseas portfolio investment by the uncertainty surrounding the US dollar. Investment in foreign securities slumped in March, the last month for which figures are available, to $608m from nearly $11bn in February.

At the same time, the Japanese Government is redeeming bonds it issued to fund deficits in the 1970s – reducing the amount of domestic instruments available to investors.

Daiwa led the way with the new trusts – with a Y300bn fund investing in US Treasury bonds – followed by Nomura with a same-sized issue for the same purpose. Yamaichi is planning a Y200bn fund split between US government bonds and US equities; Nikko intends to launch a Y200bn fund for US government bonds and a Y100bn one for bonds in European currencies.

Big Swiss bank syndicate opens to foreigners

By William Dullforce in Geneva

SWITZERLAND's big three banks announced yesterday they were prepared to open their underwriting syndicate to foreign banks whose home countries provided "full reciprocity".

In practice, this means that British, German and Dutch banks *would be eligible to join* the syndicate which dominates the issuing market for Swiss franc foreign bonds. US and Japanese-owned banks would be excluded and a question mark hovers over the French.

Union Bank of Switzerland, Swiss Bank Corporation and Credit Suisse declared themselves "in principle in favour of the subsidiaries of foreign institutions being able to become members of the permanent syndicate".

The pre-condition would be "the existence of regulatory and de facto reciprocity" towards Swiss institutions on the bond market of the parent's country of origin.

As full syndicate members, foreign-owned banks subject to the authority of the Swiss National bank would be able to lead manage issues.

Swiss bankers said some 10 foreign-owned banks had expressed interest in joining the syndicate. Not all would qualify under the reciprocity condition.

"On a global market, we cannot keep the syndicate as a closed shop," Mr Christian Puhr, SBC senior vice-president, explained. Applications from foreign banks would be submitted to the full syndicate for decision later in the year.

The big bank syndicate, which still manages some 70 per cent of new Swiss franc bond issues, eased its rules from January 1.

Moody's gives A3 rating to China

By Stephen Fidler, Euromarkets Correspondent

MOODY'S Investor's service, the US credit rating agency, said yesterday it had given an A3 rating to China, the first rating from a US agency for the People's Republic.

The agency said the rating was *based on the country's low* level of debt, the expectation that future borrowing will remain comfortable compared to the country's debt servicing capacity, and the progress made in stabilising Chinese politics.

China becomes the only sovereign borrower with an A3 rating from Moody's, which is well within what is defined as investment grade in the US. It places it below sovereign issuers such as South Korea and India, which have A2 ratings.

Moody's would not comment on whether China had requested the rating.

The issue being rated was a DM300m Eurobond launched in October through Dresdner Bank. It carried a five-year maturity, a 6 per cent coupon, and was issued at par.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	94½	95	0	-0¼	9.20
All Nippon Air 9¼ 97	100	†94½	95	-0¼	0	10.28
American Brands 8¾ 92	150	97¾	98¼	-0¼	-0¼	9.46
A/S Eksportfinans 7⅝ 93	100	†93¼	93¾	-0¼	-0¾	9.18
A/S Eksportfinans 7¼ 92	150	94¼	94¾	0	-0¼	9.01
Barc. Bk. Fin. 10¼ 89	200	†102	102½	-0⅛	-0¼	8.59
Belgium 9¼ 92	400	†99¾	100¼	-0⅛	-0¼	9.10
British Telecom 7⅝ 96	250	88	88½	-0¼	-0¾	9.75
Cal.Natl.Telecom 8½ 93	160	98⅛	98⅝	-0¼	-0⅝	8.92
Canada 9 96	1000	98	98½	-0¼	-0¾	9.34
Canadian Pac 10¼ 93	100	†104	105	0	+0¼	9.58
C.C.C.E 7⅛ 91	113	†94⅝	95¼	0	-0⅛	8.90
C.N.C.A 7¼ 91	150	94¼	94¾	-0¼	-0¾	9.18
Coca-Cola Ent. 8¼ 90	100	†99¼	99¾	-0¼	-1¾	8.62
Credit Lyonnais 9 91	200	100⅝	101	0	-0¾	8.71
Credit National 8¾ 93	200	96⅛	96⅝	-0⅛	-0¼	9.19
Credit National 7⅞ 92	100	94¾	94¾	-0¼	-0¼	9.09
Credit National 7¾ 91	150	†94¾	95¼	-0½	-0⅛	8.92
Denmark 7⅛ 92	500	93¼	93¾	-0⅛	-0¼	9.21
E.E.C 7 91	100	94⅝	94⅞	-0¼	-0½	8.81
E.E.C. 7¾ 93	250	92¼	93¼	-0¼	-0⅛	9.14
E.E.C 8¼ 96	100	†92	92½	-0½	-0⅛	9.67
E.I.B. 7¾ 93	100	93	93½	-0¼	-0⅛	9.24
E.I.B. 9¼ 97	150	97¾	98¼	-0¼	-0¾	9.70
Elec.De France 9 98	200	94¼	95¼	-0¼	-0⅝	9.81
Finland 7⅞ 97	200	88¾	88⅝	-0¼	-0¼	9.89
Finland 7½ 93	200	92¾	93¼	0	-0⅝	9.24
Finn.Exp.Cd. 8¼ 92	200	98¼	98¾	-0¼	-0¼	9.00
Ford Motor Credit 8 91	250	97¼	97¾	-0¼	-0⅝	9.02
Gen Elec Credit 10¼ 00	200	101¼	101¾	-0¼	-0¼	10.03
G.M.A.C. 8 89	250	99¼	99½	-0¼	-0⅛	8.60
G.M.A.C. 8¼ 89	200	99½	99⅞	-0¼	-0½	8.57
Hoesch 8¾ 97	100	†92	92½	-0½	-0¼	9.58
Italy 9 90	1000	100⅞	101¼	-0⅛	-0⅛	8.47
L.T.C.B of Japan 8 91	100	98¾	98¾	0	0	8.53
L.T.C.B of Japan 8 97	200	88¼	88¾	+0¼	-0½	10.03
Mercds-Benz Cd. 8½ 95	100	95¼	95⅝	-0¼	-0⅝	9.44
Metropolis Tokyo 9½ 93	200	101½	101¼	+0¼	0	9.10
Morgan Guaranty Tst. 7 90	150	97	97½	-0½	-0½	8.76
Norway 8¾ 93	500	98½	99	0	-0¼	9.07
Pepsico Inc 7¼ 93	200	†92½	92¾	-0⅛	-1⅛	9.29
Portugal 8¼ 91	300	97⅝	98¼	0	-0¼	9.11
Prudential Crp. 8¾ 94	125	98½	99	-0½	-1	9.01
Qantas Airways 10⅛ 95	140	102¼	103¼	-0¼	-0¼	9.78
Saab Scania 9½ 91	125	†101¾	102¼	-0¼	0	8.62
Saskatchewan 10¼ 92	100	104½	104⅞	-0¼	-0¾	9.22
State Bk S Aust 9¼ 93	100	99¼	99¾	-0¼	-0¼	9.36
Swedish Expt.Crd.7¼ 91	100	†94¾	95¼	+0⅛	-0¼	8.92
Swed Exp Cred 10 92	100	†103¼	103¾	0	+0¼	8.92
Sweden 7 91	250	94⅞	95⅛	-0¼	-0⅝	8.74
Sweden 7 92	250	†94¼	94¾	-0¼	-0¼	8.81
Sweden 8¾ 96	200	95	95½	-0¼	-0⅛	9.65
Sweden 8½ 92	200	†98½	98¾	-0⅛	-1⅛	8.80
Toyota Mtr. Cred. 9 90	200	†100¾	101¼	-0⅛	-0⅛	8.51
Victorian Rep 11⅛ 92	150	107½	107⅞	+0⅛	-0½	9.19
World Bank 7 92	300	†94¼	94¾	0	-0⅛	8.83
World Bank 9 97	300	96	96⅛	-0⅛	-1⅛	9.64
Yasuda Trust Fin 8½ 93	100	97	97½	+0⅛	+1	9.22

Average price change... On day -0¼ on week -0½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	101¾	102⅝	+0¼	+0¼	5.57
Avis Fin.SVS 5¾ 92	100	†101¼	101⅞	0	0	5.42
Bank of Tokyo 5¼ 93	100	†103¼	103¾	0	-0¼	4.90
Central BK. Turkey 7 92	200	†104	104½	-0⅛	-0¼	5.86
Commerzbank o/s. 5¾ 93	300	†99⅝	100	-0¼	-0⅛	5.43
Degussa Int. 6⅛ 97	200	99¼	99¾	0	+1	6.19
E.I.B 5½ 98	150	95¼	96	0	-0½	6.10
E.I.B 6 97	300	98½	99¼	-0¼	-0¼	6.17
E.I.B. 6¼ 96	300	98¾	99½	0	-0¼	6.26
E.I.B. 6⅛ 97	400	99	99¾	0	+0¼	6.22
E.I.B. 6¾ 95	300	103¼	104¼	-0¼	-0½	6.22
Euro.Coal & Steel 5¾ 97	175	97¼	98½	0	-0⅝	6.17
Eurofima 6¼ 96	100	101¼	102¼	+0¼	+0½	5.97
Elec De France 5⅞ 97	300	96	96¾	-0⅛	-0⅛	6.28
Forsmark Krtg. 5¼ 93	200	101	102	0	+1	4.76
I.A.D.B. 6 97	200	97¼	98½	-0¼	0	6.33
IBJ 5½ 92	100	†102¼	102⅞	0	-0¼	5.19
Japan Finance 5¾ 97	100	96¼	97	0	-0¼	6.26
Ireland 6½ 97	300	†99¾	100¼	0	+0¼	6.50
Korea Dev BK 6¾ 93	100	102¼	103⅛	0	+0⅛	5.92
Malaysia 6¼ 94	150	100⅞	101⅞	0	0	6.00
Nat. West BK. PLC 6 98	300	97½	98¼	+0⅛	+0⅝	6.29
Oesters. Kontbk. 5 93	300	99⅝	100¼	-0⅛	-0⅛	4.93
Portugal 5¾ 92	150	101⅛	102¼	-0¼	-0¼	5.27
Portugal 6¼ 95	150	101¼	102⅛	+0⅛	+0¼	6.22
Privatbanken 5¼ 93	150	98¾	99	-0¼	-0⅛	5.52
Royal Insurance 5¾ 92	300	†101¾	102	-0½	+0⅛	4.99
Statoil 6¼ 97	200	†98⅛	99	-0¼	-0¼	6.44
Soc Cent Nucleair 7¼ 95	150	105	105¾	0	+0¼	6.29
Westlb. Finance 5 93	200	†99¾	99½	-0⅛	+0¼	5.15
World BK. 6¼ 97	600	99⅛	100¼	+0¼	-0¼	6.30

Average price change... On day -0⅛ on week 0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5¾ 96	100	†102½	103½	0	0	5.16
Asfinag 5 02	150	†99¾	100	+0⅛	0	5.02
Bk. Fren.Econ. Ustr 5 98	100	†100	100¾	0	0	4.96
Bayer W/W 2½ 02	250	†97½	97¾	-0¼	0	2.70
Bayer. Vrnsbk.Os.4¾ 98	100	†100½	100¾	-0¼	-0¼	4.67
Elec.De France 5 07	100	†101	101½	+0¼	+1	4.90
E.I B. 4¾ 97	200	†100½	101	-0⅛	-0⅛	4.64
E.I.B 4½ 97	200	†99⅝	100	0	+0⅛	4.44
Enso Gutzeit 5 99	100	†100	100½	-0⅛	-0⅞	4.97
Ireland 5 02	150	†97½	97¾	-0½	-0⅛	5.24
Nippon Suis. Ksha.4½ 93	80	†101¾	101½	0	-0⅛	4.34
Occidentl.Petrol 5¼ 92	100	†103½	104½	0	+0¼	4.55
Prov.of Manitoba 4¾ 02	200	†100¼	100¾	-0⅛	+0¼	4.78
Prudential Fin. 4¼ 98	200	†100	100½	-0¼	-1	4.71
Qantas Airways 4¾ 97	110	†97½	98	-0¼	-0⅛	5.06
Trans-Can. Pipe 4⅞ 94	100	†101½	102	+0¼	+0⅛	4.52
Usi+g 5¾ 96	120	†102½	103	0	-0¼	5.05
Victoria Pub Ath.5¾ 03	118	†101	101¾	-0⅛	-0⅛	5.26
World Bank 5 02	200	†99½	100	0	-0⅛	5.02

Average price change... On day -0⅛ on week -0⅛

YEN STRAIGHTS [illegible]

OTHER STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

[illegible]

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Increased levy hits Bank of Ireland

BY DAVID LASCELLES, BANKING EDITOR

Bank of Ireland improved its pre-tax profits by 34 per cent last year as business both at home and overseas achieved good results.

At the pre-tax line, profits were I£109.1m (£92.46m), up from £81.5m, including the effect of £23.8m of exceptional provisions against Third World loans. But results at the bottom line were reduced by a payment under the Irish Government bank levy of £19.8m, and by a £18.3m provision for recently introduced changes in the tax treatment of leasing assets.

Profits after tax and before the leasing provision were £62.7m, an increase of 23 per cent. But this was £2.6m less than forecast in the rights issue document last month due to an increase in the bank levy.

Earnings per share rose 11.6 per cent to 32.6p. The total dividend is 11.75p, up 15.2 per cent.

Bank of Ireland said tha improved performance on the domestic front came from its banking, investment banking and finance house operations. In the UK, results included a first time contribution of £10.7m after tax from the newly acquired mortgage subsidiary which has a loan book of nearly £1bn. Apart from the Third World debt provisions, there was also an improvement in the bad debt experience, and the group's lending margins widened slightly.

The bank said costs remained a major concern, the 11 per cent rise was "unacceptable" given Ireland's inflation rate of only 2 per cent. Costs will be a priority this year.

Bank of Ireland expects to complete the acquisition of First NH Banks of New Hampshire in November. The purchase represents a major diversification for the group and will raise the share of its foreign business to more than 50 per cent. See Lex

East Anglian Water offer oversubscribed

BY ANDREW HILL

ONE OF France's three largest water suppliers is thought to have acquired a substantial stake in East Anglian Water Company.

The statutory water company yesterday announced that its offer for sale by tender of ordinary shares had been 54 per cent oversubscribed, raising £11.9m less expenses. Successful bidders – some of whom offered 580p a share against a minimum price of 200p – will receive one vote per £1 share.

Compagnie Generale des Eaux, Lyonnaise des Eaux and Cementation SAUR Water Industries – a joint venture between Trafalgar House and Bouygues, the construction groups – have been building stakes in the UK's 28 statutory water companies in preparation for the possible privetisation of the much larger water authorities.

It is understood that one of the companies successfully tendered for a large stake in East Anglian. Under a recent Stock Exchange ruling an investor acquiring more than 15 per cent of the votes in a statutory company has to declare the holding.

The 3.2m shares allotted in the offer for sale will represent about 47 per cent of the company's voting capital once the preference stock they replace is redeemed on June 30.

The actual number of 3.5 per cent ordinary shares issued was scaled down because East Anglian was only allowed to raise a maximum of £11.7m net of expenses. A total of £20.4m was put up by bidders and the average price tendered was 368.97p.

By contrast, a simultaneous offer of non-voting redeemable preference stock in Folkestone and District Water Company was slightly undersubscribed. Investors applied for about £2.21m of stock, compared with £2.5m on offer. The highest price offered was £120 per £100 of stock and the average price offered was £101.

Seymour Pierce Butterfield, broker to both issues, said dealings in the stock should begin today.

Rowntree advisor confirmed

By David Waller

Goldman Sachs, the US investment bank, said yesterday that it is advising Rowntree in its defence against Nestlé's £2.1bn bid.

It was appointed when Nestlé launched its bid and a representative from the bank sits on the chocolate company's seven man 'war cabinet'. According to Rowntree, it advises the company on the US dimension to the bid, whilst Shroders remains the lead merchant bank.

Mr John Thornton, head of the US bank's mergers and acquisitions division in London, yesterday categorically denied reports that Goldman had been retained to find a 'white knight' for Rowntree in the US.

The appointment follows a relationship with Rowntree lasting at least a year. Goldman Sachs recently advised the company on the disposal of its snack foods businesses in the UK and the US.

Blick buys £3m software

BY NIKKI TAIT

Blick, Swindon-based supplier of clocking-in equipment and radio pagers, yesterday announced the acquisition of Programs at Work, a computer software business specialising in time control systems.

Blick, which came to the market two years ago, is initially paying £1.5m cash, and issuing a further £1m of non-interest bearing convertible loan notes. The notes are convertible in January 1991 into 500,000 Blick shares, or can be redeemed for cash between October 1988 and end-1990 for a sum equivalent to the value of the Blick shares into which they would convert.

An additional £500,000 is payable in 1989 if pre-tax profits for the 12 months to end-September are not less than £200,000.

PAW was set up in 1982 by Mr Geoff Haworth and Mr Alan Worsley, who had both worked in local government computer departments. Initially the company specialised in local government and specialist systems.

Today, the business covers a range of time control software, and also acts as agent and distributor of hardware for use with its products. In the year to end-June 1987, sales were £1.4m and adjusted pre-tax profits before exceptional items amounted to £69,000. In the six months to end-December, sales rose to £339,000 and profits to £68,000.

The deal, which is subject to shareholder approval, will be funded from Blick's existing resources. Yesterday, Blick shares gained 7p to 174p.

Viking Packaging advances midterm

Viking Packaging Group reported pre-tax profits up from £567,000 to £681,000 in the six months to March 31 1988.

The interim dividend is increased from 1.16p to 1.3p, and stated earnings per share, on a weighted average, improved from 4.3p to 4.7p.

The directors said Viking Polypropylene and Viking Polythene were benefiting from increased manufacturing capacities and reduction in unit costs, resulting from capital investment during 1987.

The group's smaller businesses, in particular the Danish subsidiary, Plasmedic, and APS, its related company, were making increasing contributions to profits.

The raw material supply position in the company's industry remained tight.

But despite this, the directors said prospects for the second half were encouraging with growth opportunities for both new and existing products.

Group turnover in the opening half rose from £10.47m to £12.57m.

There was an operating profit of £905,000 compared with £820,000. There was a tax charge of £235,000 (£204,000).

Robinson increases Crowther holding

By Alice Rawsthorn

Thomas Robinson, the engineering concern which is embroiled in an increasingly acrimonious bid battle for the John Crowther textile group, has spent £2.2m in the past three days on buying more shares in Crowther.

The engineering group yesterday added 500,000 shares to the 700,000 shares it had purchased in the previous two days. Robinson now holds a 2.1 per cent stake in the textile company.

The shares were bought on Robinson's behalf by J. Henry Schroder Wagg, the merchant bank acting as its joint adviser for the bid, and by Codegrowth, a company owned jointly by Robinson and Schroder which was formed last week as a vehicle to be used during the bid.

Robinson intends to continue buying Crowther shares until an extraordinary general meeting on June 9, at which its shareholders will decide whether or not to permit it to proceed with the bid.

Coloroll, the home textiles concern which is opposing Robinson, increased its stake in the textile group on Tuesday to the maximum of 14.9 per cent.

Both the Takeover Panel and the Stock Exchange surveillance department began investigations into the reason for the rise in Coloroll's share price, which permitted it to increase its holding in Crowther, earlier this week.

Under Takeover Panel rules a bidder is prohibited from buying shares in a target company unless the value of its offer is higher than that of the shares. Until the rise on Tuesday morning, Coloroll's offer price had been too low for it to be able to buy shares in Crowther.

Both the Panel and the Stock Exchange describe the Coloroll investigation as "routine". Coloroll says that the increase in its share price was caused by one of its institutional investors increasing its holding.

Underwoods falls to £0.63m after substantial write-downs

BY CLARE PEARSON

Underwoods, the London-based chemist chain which has this year undergone a big management shake-up, yesterday revealed that its profits for 1987-88 had fallen from £3.11m to just £628,000 at the pre-tax level after taking account of an exceptional provision for stock write-downs amounting to £830,000.

If property profits of £517,000 were stripped out, Underwoods made just over £100,000 on turnover up almost 25 per cent at £58.76m (£47.18m) in the year to the end of January.

Mr Alan Gaynor, managing director since January when he was brought in to inject new life into the company, said: "Essentially, management and systems had not kept pace with the rapid growth of store numbers, staff and turnover".

About 75 per cent of the £830,000 exceptional loss arose from clearing shelves of unsaleable items. Payments to departing directors made up most of the balance.

Mr Gaynor said that shrinkage (loss of stock through theft) had risen to "totally unacceptable levels", while staff turnover increased to as high as 100 per cent.

Cost of sales rose by more than 26 per cent to £38.57m (£30.43m). Distribution costs increased from £10.56m to £14.56m, but distribution systems failed to perform during the important pre-Christmas period.

An accelerated stores openings programme, mostly in provincial towns where customers responded poorly to Underwoods' retailing style, gave rise to a stiffer interest charge of £346,000 (£64,000).

However, a new management team has been put in place following the appointments of Mr Gaynor, formerly at W.H. Smith, as managing director and Mr Neil Chisman, previously a management consultant, as finance director. Personnel have been brought in from other retailing companies such as Sainsbury, Burton, and Next.

On prospects, Mr Gaynor said Underwoods has "great underlying strengths in its portfolio of first-class sites, and in its proven retail formula."

A review of the performance of the existing stores is being carried out, and tougher controls of all operations being instituted. A temporary halt on expansion has been called, but the company is still reviewing 32 sites in central London for potential openings. A handful of the provincial stores may be closed in the current year.

Underwoods is paying a 1.5p final dividend, making an unchanged 2.5p for the year, but some of the directors are waiving their entitlement to provide a saving of about £440,000.

● comment

The market had had fair warning of yesterday's gruesome numbers, so these results had little effect on the share price. The details of Underwoods' decline and fall have a certain gory fascination, but in fact they are all the unsurprising consequences of a once intimate business growing too fast and getting out of control. The obvious parallel is Harris Queensway, grinding home the point that when things start going wrong in low margin retailing, they go very wrong indeed. The new management team seems sound but there is a clear danger that the main virtue of the London stores – their imagination – may suffer from the drive to bring the businesses under control. Profits this year are hard to predict but trading prospects certainly do not justify tha share price, which is still buoyed up by bid speculation following Woolworth's aborted approach last year. It does seem unlikely that all those new managers would have wished to join if the controlling shareholders were indeed willing sellers at the right price – but then the size of the executive share options to be proposed at the next annual meeting is still an unknown quantity.

Polymark surges to over £0.9m

Polymark International, laundry equipment and technographics group, achieved its best results for eight years in 1987. It has, therefore, proposed to resume the payment of an interim dividend on June 30 1988 and it plans to restructure its share capital to enable it to offer compensation for all dividend arrears up to December 31 1987. These amount to £1.39m.

Group pre-tax profits increased substantially from £142,000 to £902,000 on turnover raised 26 per cent to £30.63m (£25.5m). The pre-tax figure was after exceptional items of £104,000 (£167,000) and a £25,000 share of the profits (£43,000 losses) from Japan Polymark.

The tax bill was £328,000 (£221,000), and profits attributable to shareholders came to £379,000 (£177,000 losses). Earnings per 10p share worked through at 1.97p (10.12p losses).

In October, as part of the four-year strategy to re-shape the group, to develop new products and markets, and to dispose of activities which did not fit, Polymark sold Beaver, its golf course mowing machine company, to FH Tomkins for £1.6m, and Polymark France, its French subsidiary, acquired Raleigh France, gaining the distribution rights for Raleigh cycles.

The long-term intention is to establish a base in Europe for sports and leisure products, and to exploit the advent of the single market in 1992.

A breakdown of the profit figures shows that the French division pushed profits up to £732,000 (£574,000) on turnover up to £13.33m (£10.72m); profits in the laundry division slipped to £285,000 (£432,000) on turnover ahead at £10.61m (£9.24m); the technographics division cut its losses from £365,000 to £77,000 on turnover slightly down at £4.59m (£4.9m), and the agricultural division moved into profit with £41,000 (£289,000 loss).

Mr Len Weaver, chairman, said that the laundry business "made significant progress both in the UK and overseas", enabling Polymark to consolidate its position as market leader in the UK. In 1987, the market had been highly competitive and Neil & Spencer, one of Polymark's major competitors, had been forced into receivership.

Polymark has not paid a dividend since June 1983. The capital reconstruction to pay the arrears will take the form of an allocation to A shareholders of new ordinary shares on the basis of a sub-division of the existing £1 A shares into two new 10p ordinary shares and one new 80p A share. These new A shares will have equivalent rights to the existing £1 A shares, with the exception of arrears of the A share dividend rights up to December 31 1987, which would be waived.

Monopolies probe for EMAP purchase

By Nikki Tait

The £8m purchase by publishing and exhibitions group, EMAP, of the newspaper publishing activities of Parrett and Neves is being referred to the Monopolies and Mergers Commission.

The decision, announced yesterday by Lord Young, Trade and Industry Secretary, caused few surprises at EMAP. "We knew this was inevitable," commented Mr Robin Miller, chief executive.

The Fair Trading Act normally requires a reference where the purchaser already owns newspapers with an average paid-for circulation of 500,000-plus, and where the newspaper being acquired has a circulation of over 25,000.

Certain exceptions can be made – for example, where the newspaper being bought is not economic – but do not apply in this case.

Under the deal, EMAP is proposing to buy nine paid-for newspapers in Kent. Although circulation of many of these is relatively modest, one newspaper – the Chatham Rochester & Gillingham News – does exceed 25,000. The commission's inquiry is expected to be complete within two months.

Ratners expands in Channel Is.

Ratners, fast-expanding jewellery group, is to pay £5.3m cash to acquire Time, a Jersey-based jewellery retailer.

Time operates 15 jewellery shops and six accessory shops, mainly in St Helier. For the 12 months ended January 31, Time had a pre-tax profit of £490,000 on turnover of £4.35m. It has net assets of £2.8m.

Wyndham makes two property acquisitions

Wyndham Group, Cardiff-based engineering, property investment and financial services company has made two property acquisitions for a total of £2.28m.

One is Sheaf House, a long leasehold property in Sheffield which is being bought from Norwich Union for £1.14m. The second is an office development in Cardiff – again leasehold, with annual rental income of £81,500 and reviews falling due from June. The cost is £1.15m. Both deals are in cash, and will be satisfied from existing resources.

Knitwear contribution helps Richards to £1.21m

TAXABLE PROFITS of Richards, Aberdeen-based spinner of high technology yarns, more than doubled to £1.21m in the six months to end-March, on turnover 39 per cent ahead at £18.25m. The result included a first-time contribution from the Lovat group, the knitted outerwear business acquired last September.

Mr Brian Gilbert, chairman, said current trading was in line with budget, although he expressed caution over the effect on the group's markets of the relative strength of sterling.

The knitwear sector had enjoyed mixed fortunes recently, Mr Gilbert said, but the group was satisfied with the performance of the Lovat group and were test marketing a number of new products.

Tax took £422,000 (£155,000), leaving earnings of 5.93p per 10p share, up from 3.06p last time. The interim dividend is lifted to 0.9p (0.7p).

Expansion for RTZ offshoot

Pneumatic Components, Sheffield-based subsidiary of RTZ, is adding to its garage forecourt operations with the acquisition of Autoequip Lavaggi (UK), for an undisclosed sum.

Lavaggi, the UK subsidiary of an Italian company of the same name, makes vehicle washing equipment.

PCL will also acquire exclusive UK distribution and manufacturing rights for all the products made by the Italian company.

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Further extension for Beazer's offer

BY PHILIP COGGAN

Beazer, UK housebuilding and construction company, has extended once again its $1.7bn (£911m) offer for Koppers, US aggregates and construction group. The offer will now expire at midnight, New York City time, on May 25.

Beazer also announced that around 19.05m Koppers ordinary shares have been validly tendered and not withdrawn in respect of its $60 per share offer. That represents 67.8 per cent of Koppers' ordinary equity.

In addition, BNS, the company being used as a vehicle for Beazer's bid, owns 7.4 per cent of the equity.

Victory for Beazer's bid still depends on the outcome of various court cases in the US. An injunction has been placed on the bid in California, on anti-trust grounds; a further injunction has been granted to Koppers by a court in Pittsburgh; and in Delaware, Beazer is attempting to have Koppers' 'poison pill' defence provisions lifted.

BAe to increase stake in Reflectone

British Aerospace has reached an agreement with Reflectone, a US simulator and training systems business, which will eventually increase BAe's stake in the company to 49 per cent.

BAe bought an initial 41 per cent stake in the company a year ago.

Under the terms of the new agreement BAe will acquire 50,000 newly created convertible preference shares at a price of $176 a share and 500,000 shares of common stock at $18 a share.

The proceeds will be used by Reflectone to acquire up to 500,000 of its own outstanding shares. After this and conversion in three years' time of the preference shares held by BAe the British company would own 49 per cent of Reflectone.

Prowting gains main market listing capitalised at £104m

BY PHILIP COGGAN

Prowting, residential housebuilder which in November postponed plans for a listing due to the stock market crash, is finally coming to the the main market via a £19m offer for sale.

Lazard Brothers is offering 12.1m shares, 19.3 per cent of the equity, at 165p each, giving the group a market capitalisation of £104m.

The company, based in Ruislip, west London, was founded in 1912 by the father of the current chairman, Mr Peter Prowting. When he took over in 1955, he moved the group out of contracting and into housebuilding and developed the company's residential structure — it has offices in Ruislip, Chichester, Malvern and Taunton.

Pre-tax profits have grown in recent years from £3.11m in the 12 months to February 28 1984 to £13.04m last year. Turnover has increased from £30m to £64m over the same period.

Prowting sold 728 units at an average price of £79,000 last year; prices ranged from £35,000 to £330,000. The majority of the houses sold were in the south of England.

The company's land bank represents the equivalent of six years' supply and some 26 per cent was acquired before May 1980.

All the shares on offer are new and will be used to eliminate borrowings.

At the offer price of 165p, the shares are on a historic p/e of 11. The notional gross dividend yield is 3.4 per cent.

● comment

The gloomy predictions made, at the time of Black Monday, of a crash in the property market have not been fulfilled and it is not surprising that Prowting, which postponed its earlier issue plans, has now plucked up courage to float. The company has an excellent profit record, and is not concentrated on either the top end or the first time buyer market. Nor does it build houses in the potentially overheated central London market. And for those who are still worried that this is the top of the housebuilding cycle, Prowting can point to a six year land bank as the perfect defence against catastrophe. The company ought to slot neatly into the band of premium housebuilders, and unless the stock market falls dramatically out of bed, the offer ought to go to a healthy premium in the aftermarket.

Astra shareholders take 58% of rights

BY VANESSA HOULDER

Astra Holdings, pyrotechnic and ammunition group, yesterday said that holders representing 58 per cent of ordinary shares have taken up their rights in the £30.65m issue, which closed on Tuesday.

The 22-for-25 rights issue was called to help finance the £35m acquisition of British Manufacture and Research Company (BMARC), which will be completed next Tuesday.

A further 9 per cent of shares were placed for cash through the market at 27½p fully paid apiece for the benefit of shareholders who have not taken up their rights. The balance of 33 per cent will be allocated to institutions and investment clients of Hichens, Harrison & Co.

Possible expansion for Atlantic

Atlantic Computers, computer leasing group, yesterday announced that discussions were taking place with controlling shareholders of ICS Stockholm, unquoted holding company of a Scandinavian based computer leasing group.

Atlantic said that it hoped these discussions would lead to the acquisition of ICS Stockholm and certain of its subsidiaries.

Witan net asset value falls to 140p

Witan Investment Company *reported net asset value per* share at the end of April of 140p against 166.98p a year earlier. Per warrant the figure was down from 90.48p to 63.5p.

A final dividend of 1.45p (1.15p) is recommended making a total for the 12 months of 2.5p against 2p.

Ex-stockbroker holds 10% of Jantar

BY CLARE PEARSON

SHARES in Jantar, an investment company formerly involved in tin mining, rose 10p to 50p yesterday, valuing it at £2.5m, ahead of the announcement that Mr Stephen Parris, a former stockbroker, had taken a 10.08 per cent stake.

Mr John Duffield, a director of Jantar, said Mr Parris had approached the company earlier this week with a view to taking control.

Mr Parris, 34, who worked for brokers Douglas le Mare until two weeks ago, said he had not yet made a formal offer for Jantar.

Mr Parris acquired his stake from the New Zealand Judge Corporation, which in March had its shares suspended because it had not met an exchange requirement to disclose the effects of the October stock market crash.

Jupiter Tarbutt, a financial management group, has 29.9 per cent of Jantar and represents the founding families. Mr Duffield, who is also chairman of Jupiter Tarbutt, said a further 19.9 per cent of Jantar was in the hands of friendly parties.

Mitek gives undertakings to DTI

Mitek Industries, a 49 per cent subsidiary of packaging and building materials group Bowater Industries, has given undertakings to the Department of Trade and Industry that the Gang-Nail Systems business will be run as a separate concern while a Monopolies and Mergers Commission inquiry into its acquisition by Mitek proceeds. This was announced in early April

CORRECTION

Everest Foods

Everest Foods, the frozen chip producer coming to the USM, reported pre-tax profits rising from £489,000 in 1983 to £1.79m in 1987. These correct the figures given in yesterday's FT.

Ocean Wilsons profits decline 24% to £4.7m

Ocean Wilsons (Holdings), investment holding company which has substantial Brazilian interests, yesterday reported a 24 per cent contraction in pre-tax profits for 1987.

The decline, from £6.19m to £4.69m, came on turnover down 50 per cent at £34.8m (£69.67m). Net asset value per share fell to 55.25p against 64.2p in 1986.

UK tax fell to £288,000 (£326,000). The current overseas tax charge rose to £1.45m (£1.18m), but the deferred overseas tax provision fell from £2.12m to £820,000.

Earnings per 20p share worked through at 5.37p (6.45p) and the directors propose to maintain the final at 2p for a same-again total of 2.5p.

Imtec minority buy-out

Imtec, manufacturer of micrographic equipment, yesterday announced terms to to buy out minority shareholders in its subsidiary Laser-Scan at a cost of up to £224,776.

It also said the group's financial position remained delicate and the company was dependent on the continuing financial support of creditors and Bolton House, in addition to normal banking facilities.

Imtec was meeting its projected sales in the UK but export sales were lower than had been expected. It believed that, with the restructuring in place, and enlarged by Laser-Scan, it should be able to achieve overhead savings and move towards profitability.

Hilton profits 70% ahead

Hilton International, the 92-hotel chain bought by Ladbroke Group for £645m last autumn, has increased its profit before interest and tax by 70 per cent in the first four months of the current year.

Mr Cyril Stein, Ladbroke chairman, discloses this in a letter sent to shareholders today with the company's annual report. He also reveals that profits at Hilton National, the former Ladbroke Hotels, rose by 30 per cent over the same period.

Mr Stein adds that there has been a material increase in the value of the company's major office properties in the West End. The racing division and Texas Homecare have also performed well.

Ladbroke's 1987 pre-tax profits of £160.2m included an 11-week contribution of £13.8m from Hilton International.

Grand Central in A$1.5m purchase

Grand Central Investment Holdings said that its wholly-owned Australian subsidiary is to purchase another food distribution company, Central Wholesalers, based in Canberra, Australia, for A$1.47m (£600,410).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Bank of Ireland ......fin	7.75†♣	-	7.75	11.75	11
Beradin Hldgs ......fin	0.75	-	0.6	0.75	0.6☆
Bisichi Tin ......fin	0.75	Aug 19	0.75	0.75	0.75
Fairline Boats ......int	4	-	3	-	9
Gerrard & Nat. ......fin	15	-	14	18	17
Granyte Surfaces§ ...fin	2	-	1.8	3	2.5
Lond & Assoc Inv...fin	0.25	Aug 30	0.2	0.4	0.35
Morland ......int	2.8	-	2.5	-	7.9
Ocean Wilsons ......fin	2	-	2	2.5	2.5
Richards ......int	0.9†	July 1	0.7	-	2.6
Underwoods ......fin	1.5	July 1	1.5	2.5	2.5
Viking Packg. ......int	1.3	–	1.16	–	1.16
Witan Inv ......fin	1.45	–	1.15	2.5	2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¢Third market. ♣Irish pence throughout. ☆For 15 months.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Albion, Barton Transport, Firstland Oil & Gas, Fulcrum Inv. Trust, Govett Atlantic Inv. Trust, Radio Clyde.

Finals- Personal Assets, Value and Income Trust.

FUTURE DATES

Interims-

Beatrix Mines ...... June 2
Borthwicks ...... June 6
Buffelsfontein ...... June 2
Cauldon ...... May 25
Griqualand Mines ...... May 25
Grootvlei Proprietary ...... June 2
Hartebeest ...... June 1
RHM ...... May 25
St. Helena Gold Mines ...... June 2
Speyhawk ...... May 25
Stilfontein ...... June 2
West Rand ...... June 2

Finals-

British Borneo ...... May 25
EMAP ...... July 18
Hughes (H.T.) ...... May 26
Osborne & Little ...... June 9

UK COMPANY NEWS

Philip Coggan analyses how a new spring is chasing away a sharp winter in the new issue market

The recovery of confidence in going public

THE BRIEF post-crash hibernation of the new issue market is over.

A recent survey by accountant Peat Marwick McLintock showed that there were 34 main market and USM flotations in the first quarter this year, just one less than at the height of the bull market in the first quarter of 1987.

The second quarter has also been highly active – featuring offers from Sotheby's, the auctioneer, Thorntons, the chocolate group, and ASW Holdings, the revitalised steel company – and more issues are in the pipeline. Parker Pen is set to join the market next month and British Steel Corporation could be privatised by the end of the year.

It all seems a far cry from the beginning of 1988 when the market was still suffering from the aftermath of Black Monday. Memories of the disastrous BP offer for sale were still fresh in many investors' (and underwriters') minds. Theo it seemed unlikely that many companies would be able, or willing, to risk flotation in the near future.

This is, admittedly, the traditional busy season for new issues.

Most companies prefer to come to the market shortly after the prodnction of their annual results and for those with a December year-end, that tends to mean a flotation between March and May. There is usually a lull during the summer holiday period and at Christmas.

Even so, the buoyancy of the new issue market still needs explanation. Part of the reason is market sentiment. Although the bulls have hardly been rampant since January, the market has stabilised in a fairly narrow range and there has been no repeat of Black Monday.

The FT-A All Share Index which began the year at 872 has rarely dipped below that level and currently stands at 918. That may seem low by pre-crash standards, but it compares well with the levels of around 840 at the start of last year.

Corporate price/earnings ratios are currently around early 1986 levels – well below 1987 ratings but still, given the last few years of strong profits growth, representing a good opportunity for company founders to realise part of their wealth. Quoted equity also remains a valuable tool for making acquisitions.

Even more importantly, the institutions, which had been caught over-invested in equities at the time of the crash, have managed to improve their liquidity. The natural cashflow from insurance premiums and pension contributions has helped; as has the spate of corporate takeovers for cash. James Capel estimates that since Black Monday, about £7bn of cash has been put back into the UK market by acquisition activity.

Institutions managed to switch out of equities and into gilts and cash by the end of last year; and this year has so far been free of the privatisations which in recent years have absorbed a substantial proportion of new equity investment. The main calls for cash from the market have been the part-payments on British Gas and British Airports Authority and Barclays' £921m rights issue.

In comparison, this year's new issues have been asking for peanuts. The largest offer so far was that of London Forfaiting, the trade finance group which raised £81m on the USM in February. The issue had a fairly lukewarm reception; it was 1.3 times subscribed and went to a discount on first day trading. However, the offers of AMI Healthcare, the private medical group, UK Paper and Thorntons have been better received.

No issue has yet been a bonanza for the stags but UK Paper's 10 times over-subscriptioo and Thorntons' 7 times over-subscription were extremely creditable performances. Thorntons has yet to begin trading but UK Paper's shares remain above the offer price.

Only one issue can definitely be described as a flop – two-thirds of property company Merchant Manufactory Estate Company's offer was left in the hands of the underwriters. Investors seemed to dislike the issue's premium to net asset value and the fact that two of its directors had previously been involved with companies which went into liquidation.

To try to avoid any further disappointments, corporate finance departments have generally been cautious in pricing issues. Price/earnings ratios have generally been in line with, or at a discount to, their sectors.

Tha cautious pricing trend must have caused more than e littla disappointment for those companies which were all set to float in the fourth quarter of last year until the crash upset their plans. Peat Marwick found that of those companies that had floated since Black Monday, about half had been forced to alter their timing because of the crash.

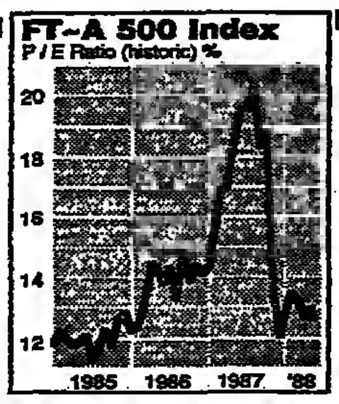
Perhaps the best example is Sotheby's – Mr Alfred Taubman, the chairman, and other shareholders had hoped to sell 29 per cent of the shares for about $175m (£93.83m) in the fourth quarter of last year. In the end, last week's offer raised just $99m through the sale of 22 per cent of the equity.

But the sternest test of the new issue market's recovery is about to arrive.

ASW Holdings, unlike Thorntons or AMI Healthcare, is not in a glamorous or go-ahead sector. Even in the midst of last year's "new issue fever", investors might have been cautious about the prospects for a steel company, however well managed.

ASW is attempting to raise £37.9m at a time when the market is being buffeted by worries about exchange rate policy and fears of US inflation. SG Warburg has priced the issue conservatively on e fully diluted p/e of 9 and the yield is a juicy 6.5 per cent, but even so, the bank may hava some anxious moments until the result of the offer

FT-A 500 Index
P/E Ratio (historic) %



NEW ISSUE ACTIVITY

	Offer	Placing	Intro	Total
1980	5	3	12	20
1981	23	10	12	45
1982	11	4	24	39
1983	35	2	23	60
1984	33	7	31	71
1985	54	6	14	74
1986	50	24	39	113
1987	16	64	49	129
1988 1st¼	2	11	3	16

Main market flotations only
Source: Peat Marwick McLintock

ANNUAL MEETINGS

Bowthorpe set to buy overseas companies

Bowthorpe Holdings, electronics group, is negotiating to buy three companies in the US, and two in Europe for a total of £22m.

The acquisitions will be financed out of Bowthorpe's cash resources of £52.6m, swelled by its £48m rights issue last October.

Four of the businesses will complement Bowthorpe's existing products and the other will take it into new areas. The negotiations are two or three months' short of completion, Mr Ray Parsons, chairman, said.

Mr Parsons told investors that on the basis of performance during the first four months of the current financial year, Bowthorpe was on course to achieve its profits target, which has been set "significantly higher" than the £33.5m pre-tax achieved last time.

"We now have in place a management team which will be able to meet the challenges of the next few years," he said.

Sharpe & Fisher

Demand in the first four months remained at a high level. Group turnover to the end of April was 22 per cent up on last year, the annual meeting was told. This was ahead of expectations, as was group net profit. New Two new Stanford stores are to open and a Worcester store is planned. The building supplies company expects to open at least another two stores in 1989.

Morgan Grenfell

The first quarter had been "satisfactory," Sir Peter Carey, chairman, said yesterday. He cautioned that the markets in which the merchant bank operates were "subject to considerable volatility," but nonetheless he had great confidence in the merchant bank's future.

Morgan suffered a 27 per cent fall in profits in the year to December last year. Sir Peter, said that this was inevitable due to the bank's exposure to international financial markets and the depressed level of activity after the October crash.

Waterford Glass

The Irish crystal and china group, which suffered a pre-tax loss of I£10.3m for 1987, is set to bounce back to profit in the second half of the year, Mr J.Patrick Hayes, the chairman, said yesterday.

Sales of its crystal products in the "vitally important" American market were up 25 per cent in the year to date. Sales of crystal and Wedgwood china in other markets had also risen substantially.

Waterford shares, which fell 1p to 84p before the announcement, stayed unchanged.

Coates Brothers

The inks and coating company revealed yesterday that it had agreed to sell its graphic products division to the Cookson Group. The loss-making division is being sold to Cookson, which has litho-plates as a core business, for an undisclosed sum.

Mr John Youngman, chairman, said the favourable trading conditions experienced in 1987 have been maintained during the current year. Both sales and profits for the first quarter were ahead of the first quarter last year before the addition of the results of Lorilleux, which was acquired on 1 February 1988.

W. Canning

Mr David Probert, chairman, said the new plant at John Betts Refiners came on stream last week and should help improve profitability of refining in the second half. Relocation of the Marston Bentley UK facilities to Wigan should be completed next month. The old factory at Manchester had been sold and the premises at Liverpool are expected to be disposed of shortly.

The metal finishing business was experiencing buoyant demand and profits were well above last year's level despite sterling's effect on export margins. Work on a warehouse in Paris for the distribution of electronics components should start in September.

Amari

The stockholding and metal merchant was on its way to substantially exceed expectations after achieving record profits during the first four months of the current year, shareholders were told. The progress was beginning to reflect the substantial profit potential of the company's recent investment in Europe and America.

Croda International

Profits for the first quarter were higher than in the same period last year. Business was brisk in most of the economies in which Croda operates, but the company is still concerned about the strength of sterling.

Bridon

The performance in the first four months of 1988 has been considerably better than in the comparable period, the chairman said yesterday. Bridon manufactures wire, wire ropes and associated products. The chairman added that indications were that the 5.1 per cent holding disposed of by Carlo last month had passed into institutional hands. Consequently, optimism about improved prospects for 1988 were not clouded by concern about any unwelcome attentions.

DRG

The benefits of last year's capital expenditure programme in packaging and stationery had begun to be realised, the chairman said, and demand was strong in the company's key growth areas. It is involved in specialised consumer products for the office and printing.

IMI

The fabricated products and components company is planning to spend about £50m this year on capital expenditure and is looking to acquire more companies, the chairman said. The balance sheet remained exceptionally strong and strategic planning was not therefore inhibited by any lack of resources.

Property sales boost Morland to over £3m

BY PATRICK DANIEL

Morland & Co, Oxfordshire-based brewer and soft drink manufacturer, yesterday announced doubled first-half pre-tax profits of £3.08m, assisted by a £1.56m contribution from property sales.

The company decided last year to take property profits above the line as it considered the management of its property assets as a part of its ordinary activities.

Earnings per share were 30.5p (12.5p) and the interim dividend is set at 2.8p (2.5p).

On trading operations for the six months to March 31, Morland raised turnover by 25 per cent to £10.9m (£8.7m).

Operating profit advanced by 34 per cent to £1.45m (£1.08m).

The company said the mild winter helped raise sales of beers, wines and spirits and soft drinks. Its new lager plant should start producing from early June.

Great Southern launches £6.7m preference placing

BY ANDREW HILL

Great Southern Group, USM-quoted funeral director, is to raise about £6.7m with a placing of convertible preference shares.

Proceeds from the issue of 6.93m cumulative convertible redeemable preference shares will be used to reduce borrowings – from 100 per cent of shareholders' funds to 30 per cent – and fund further acquisitions.

Hill Samuel, Great Southern's adviser, has conditionally placed the convertible preference shares with institutional investors. They will be offered to shareholders first at £1 apiece, on the basis of five convertible preference shares for every seven ordinary held.

Great Southern also announced the purchase of two funeral directors for a total of £2.47m in cash and ordinary shares. As a result, the group will have 126 branches.

Dyson Richards, Birmingham-based funeral director, is being acquired for £942,500 in cash and shares. The company will operate in conjunction with E.F. Edwards, purchased last year.

Great Southern has also agreed to buy 56 per cent of Finch & Sons, Hampshire funeral services business, and has offered to buy the rest of the company. The total payment will be £1.53m in cash and shares.

In line with its recent decision to write off goodwill from acquisitions directly to reserves, Great Southern is proposing to cancel its share premium account.

Since the USM float in September 1986, the company – like its quoted rivals Kenyon Securities and Hodgson Holdings – has been building a network of funeral directors. Including the latest acquisitions it has bought 24 businesses since flotation, and also claims to be the largest cremation authority in the UK.

MIM-Britannia raises Drayton Cons stake

By Nikki Tait

MIM-Britannia, fund management group headed by Lord Stevens, has raised its voting interest in Drayton Consolidated Trust to 22.5 per cent.

The new interest follows various increases in the holdings of ordinary shares and preference stock by its subsidiary MIM Group, and by funds managed on a discretionary basis by MIM-Britannia. MIM acts as fund manager for the Drayton Consolidated fund.

Beradin at £0.34m

Pre-tax profits of Beradin Holdings, amounted to £340,239 on a turnover of £771,310 for the 1987 year. Comparative figures of £246,283 and £893,188 restated covered the 15 months to end-December 1986.

The dividend is 0.75p (0.5p).

CORRECTION

Rechem

Rechem Environmental Services is capitalised at £32m at its placing price, not £3.5m as reported yesterday.

Gilt market uncertainty hits Gerrard & National

BY VANESSA HOULDER

Gerrard & National Holdings, discount house, yesterday announced a 38 per cent fall in profits from £11.22m to £7.01m for the year to 5 April 1988, but proposed a 5.9 per cent increase in the annual dividend.

The profit, which is struck after providing for tax, minority interests and a transfer to inner reserves, followed a "small profit", understood to mean £1m-£2m, at the interim stage.

Mr Roger Gibbs, chairman, said that the results suffered by comparison with those of last year, which included particularly good results from the first quarter of 1987.

The past year had been a particularly volatile one for the gilt-edged market, he said. Profits had been small in the first half as the company had not anticipated the fall in gilt prices following the June general election. However, the company did well as a result of the reduction in interest rates immediately after the equity market collapse in October.

In February and March, profits were held back when an expected rise in interest rates did not materialise. "We have had a profitable start to this year with interest rates coming down," Mr Gibbs said. "We believe that another ½ per cent reduction in interest rates is a possibility."

Gerrard's gilt market making business made a small profit, said Mr Gibbs. GNI Holdings, futures and options company, had a very successful year. Gerrard Vivian Gray, the 75 per cent owned stockbroker, did not make a contribution to profits.

A final dividend of 15p (14p) is proposed for a total of 18p (17p).

● comment

Gerrard & National has an unsullied record of annual dividend increases since its formation in 1969, and this year's dividend rise, in the face of the fall in profits, leaves the record intact. That said, the 5.9 per cent rise, which leads to a gross yield of 7 per cent, is one of the smallest increases since the 1970s. That, as much as the meagre profits, explains the 17p fall in share price to 315p. The profits decline was not unexpected, given the roller-coaster ride inflicted by interest rates this year. Profits for a discount house depend on reading the gilt market correctly, and with eight changes to base rates during the year, rarely has market sentiment changed so often and unexpectedly. With some four-fifths of earnings related to the quirky movements of interest rates, future profits are almost impossible to predict. However, the company is optimistic about the future, and last year's poor showing may well prove just a temporary blip on an upward trend.

Fairline Boats rises 51% to £1.5m

By Andrew Hill

Benefits from a new factory and office block helped Fairline Boats, boat-builder, boost interim profits and turnover by about 51 per cent.

Pre-tax profits for the six months to March 31 rose to £1.52m (£1m) on sales of £12m (£7.94m).

Earnings per share increased by 62 per cent to 29.3p (18.1p) following a reduction in the tax charge to 32.5 (37) per cent. The interim dividend is being increased to 4p (3p).

The new factory at Weldon, near Corby, produces Fairline's smaller boats – between 21ft and 31ft long – and a new office block at Oundle houses the sales, purchasing, accounts and computer services departments.

Mr Sam Newington, chairman, said net profit margins had risen slightly despite development and reorganisation costs. There would be further product development costs in the second half, he added, but reorganisation was now virtually complete.

A regional development grant for the third and final phase of the factory has been approved. The company said this would reduce the £1.5m to £2m cost of the extension by about £375,000. When the factory is complete Fairline should be able to produce £40m worth of boats annually, against current capacity of £30m.

The profits include an exceptional credit of £81,734 received as part of a regional development grant for job creation in the first phase of the Weldon factory. A similar item will be included in the second half figures.

Fairline said demand for all boats – which are in the middle of the range and sell for between £20,000 and £200,000 – had been excellent. New boats introduced in January at the London Boat Show had been well received.

However, the company is concerned that recent currency changes might affect exports.

Granyte rises 16% to £1.65m

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

Granyte Surface Coatings, USM-quoted specialist in industrial finishes, achieved pre-tax profits of £1.65m in the year to February 26 – an increase of 16 per cent – despite increased raw material costs and losses in setting up a Belgian operation.

The results reflected greater efficiency with turnover up 9.6 per cent to £13.8m. Earnings per share rose 10.5 per cent to 7.07p and a final dividend of 2p is proposed for a total of 3p (2.5p).

Mr William Junner, chairman, said that when Granyte acquired a minority stake in the Belgian company, Wyns-Bristol, it was aware of the different technical requirements and trading methods in European markets and that it would take time to penetrate continental markets with Granyte's high technology paints and coatings.

The company is now ready to market its new flame-retardant paint, after achieving the highest British standards classification when tested on a wide range of substrates used in the construction industry. Called Flamebloc, it will go on sale in June.

Granyte hoped to develop from its niche market base into a more broadly based specialist surface coatings group but has yet to find suitable opportunities, he added.

Blacks buys distribution rights

BY NIKKI TAIT

Blacks Leisure, the camping and leisurewear company which was saved from receivership in late-1987, has acquired sole UK distribution rights for L.A. Gear California, an athletic footwear and sportswear company.

The acquisition is being effected by the purchase of Gamecamp Enterprises – to be renamed All American Footwear Corporation – for a nominal £2.

However, Mr Bernard Garbacz, Blacks chairman, said yesterday that he anticipated costs of perhaps £250,000 in setting up the UK distribution operations, with the American company due to contribute towards advertising and marketing costs. L.A. Gear products will be sold both in Blacks own shops and to third parties.

L.A. Gear California saw sales of $78m last year, and is targeting around $200m for the current 12 months. Yesterday, Mr Garbacz indicated that the acquistion could add sales of perhaps £2m in the first year to Blacks, but said he was looking for a fairly sharp increase in subsequent years. Profits from the sale of L.A. Gear goods in the UK will be split equally between the US company and Blacks.

Highland Participants profit halved

Pre-tax profits were halved at Highland Participants from £1.62m to £811,698 in the year to December 31 on turnover ahead from £7.29m to £12.61m. Mr Peter de Savary, chairman, said he considered the results to be satisfactory in view of the limited amount of time the new management had been in place.

Mr de Savary, the financier and yachtsman who became chairman of the USM company last September, said the 1986 result had benefited from factors such as the exceptional gain on the sale of oil and gas properties. There was half-year loss of £158,000 in 1987, compared with a £542,000 profit previously.

He believes that a sound platform has been created for growth, which will be concentrated on three core activities – energy, marine and land.

The company plans to undertake a capital reconstruction to eliminate the deficit on retained reserves and enable the payment of a 1p dividend in the autumn. The reconstruction would involve a scheme of arrangement and cancellation of the company's share premium account.

It has also been decided that a smaller board would be more appropriate to the reconstructed group. Therefore Mr D. Donnelly, the former chairman, and Mr J. Alexander, Mr A Mackesy and Mr R. Nugent will not be seeking re-election.

Mr de Savary said surplus land at the Falmouth docks had been released for development and a land division had been created to exploit surplus land from any further acquisitions.

The energy division, having disposed of its production side, would be seeking openings in storage and distribution, but it would also take advantage of opportunities that might arise elsewhere in that area.

In the marine division, the contract to manage the Gibraltar shipyard had not been renewed as it had not been possible to agree satisfactory terms with the new government. A heads of agreement had recently been signed to manage a shiprepair yard in Cameroon and several other opportunities were being studied elsewhere in the world.

Brett International, acquired at the beginning of 1988, is to form the core of plans to provide a range of services to ports and terminals and the shipping industry generally.

Eurotunnel asked for clarification

Eurotunnel said yesterday that the *Stock Exchange had asked it* to comment on various letters and documents received by the exchange from Dr John Owen, an anti-Channel Tunnel campaigner. These are believed to concern the prospectus issued in connection with last year's £706m share issue, alleging that it failed to give sufficient weight to the risks of terrorism or a budget overrun.

Eurotunnel said it believes that Dr Owen's claims about the prospectus are entirely without merit and that it will respond accordingly.

London & Assoc expands

London & Associated Investment Trust reported an increase from £507,000 to £721,000 in pre-tax profits for the year to December 31 1987.

At the year-end, the commercial property portfolio was professionally revalued in two seperate parts by two firms of chartered surveyors, and the new figure of £11.2m (compared with the directors' valuation of £7.73m at December 31 1986) has been incorporated in the year-end statement.

With the inclusion of its proportion of the net UK tangible assets of its associated company, Bisichi Tin – a significant part of which is commercial property, and some of which is jointly owned by London & Associated – a net asset figure of 39.1p per ordinary share emerges. This compares with 29.5p a year earlier.

Mr M A Heller, chairman, said the 32.5 per cent increase in the net asset figure was satisfying. Next month sees the company's 50th anniversary of being listed on the Stock Exchange and a special bonus issue of ordinary *shares of one-for-five* is being recommended by the directors.

The total dividend is increased from 0.35p to 4p with a final of 0.25p (0.2p). Stated earnings per 10p share were 1.37p (1.43p) basic.

Pre-tax profits at Bisichi Tin Company, 37.8 per cent-owned associate, remained static in 1987 with figures of £107,000 compared with £102,000.

The company proposes to change its name to Bisichi Mining to reflect its much broader mining activities. The directors also propose a six-for-10 bonus share issue to bring the issued share capital more into line with the capital now employed within the group.

The total dividend is unchanged for 1987 at 0.75p. Earnings per 10p were 1.4p (1.06p).

UK COMPANY NEWS

Anglesey Mining for market with £14m tag

BY KENNETH GOODING, MINING CORRESPONDENT

DETAILS OF the terms of a joint placing and offer to raise £5m for Anglesey Mining, which plans to re-open the base metals mine at Parys Mountain, north Wales, were announced yesterday.

Kleinwort Grieveson Securities is sponsoring and underwriting the offer of 8m ordinary shares and 2m warrants to be made available in units of four ordinary and one warrant at 280p a unit. This values each ordinary at 70p and Anglesey at £14.2m.

Holders have the right to convert each warrant into one ordinary at 80p on two occasions a year from 1988 to 1990 inclusive.

Kleinwort yesterday completed the placing of 1.5m units with institutions and 500,000 units will be offered to the general public. Applications must be in by 10 am on May 27 and dealings on the main market are expected to start on June 6.

Anglesey was established in 1984 by Imperial Metals Corporation, a Canadian company with assets of about C$150m (£64m). IMC owned 85.7 per cent of Anglesey and after the offer will be beneficially interested in 51.8 per cent.

The bulk of the proceeds from the offer will be used for the first development of the Parys Mountain project but £500,000 will be set aside for acquiring other mineral interests in the UK and Europe.

Mr Hugh Morris, chairman of both IMC and Anglesey, said that the UK company will be developed as IMC's European arm and that the Canadian company would not compete in Europe with Anglesey.

Exploration drilling at Parys Mountain has established that there are reserves estimated at 5.28m short tons containing 6.04 per cent zinc, 3.03 per cent lead, 1.49 per cent copper, plus 2.02 troy ounces of silver a ton and 0.013 troy ounces of gold a ton.

Undiscounted operating cash flow, based on mining the established reserves, a production rate of 400,000 tons a year and London Metal Exchange prices on April 21 1988, will total some £75m over the 17-year life of the project. Undiscounted net cash flow after royalties, corporate and finance costs, capital expenditure and corporation tax is estimated to be £30m.

It is expected that commercial production will start in the second half of 1992 and net smelter revenues will begin the following year. Anglesey will produce base metal concentrates and the silver and gold would normally be sold as an integral part of the concentrates.

● comment

A company developing what is basically a zinc mine in north Wales will not be many people's idea of a glamour stock and Anglesey Mining is being launched at a time when enthusiasm in London for mining shares is not particularly high. That said, there is little doubt that the project is a fundamentally sound one. Kleinwort Grieveson and the Robertson Group, which has taken a 3.5 per cent stake, know a good mining prospect when they see it. There will be no dividend payment for 3½ years at least but the inclusion of warrants, which will be traded separately, is designed to offer potential short-term gains to sweeten the package for private investors. Anglesey's performance inevitably will be linked firmly to the price of zinc. The current consensus of opinion is that demand for the metal is in for a period of steady growth, thanks to its rust-proofing qualities, and that there are few unexploited zinc deposits left to create the kind of vast over-capacity which can drive base metal prices down to extraordinarily low levels.

CONTRACTS

Protects Thames Barrier

London's Thames Barrier, which protects the capital from catastrophic flood, is in turn protected from fire and vandalism by one of Britain's largest and most comprehensive CHUBB integrated intruder and fire detection systems.

The security system, which is controlled by a dedicated mini-computer, has been installed under a series of contracts worth more than £2.5m to date.

Now, Racal-Chubb Security Systems is to extend the system under a £200,000 order to route more than 320 plant alarms through the computer to shift engineers manning the barrier in the central control room. The staff will automatically be warned by the computer should a fault strike key hydraulic, electro-mechanical and other machinery.

In addition, fire detection and suppression devices, including some 60 automatic halon-gas fire-suppression systems protecting important areas will also be monitored by the computer, again warning barrier control staff of any faults that could impair their ability to tackle a surprise blaze.

Racal-Chubb Security Systems is also to extend the already comprehensive security system installed on the barrier complex.

Weir Group wins export orders

THE WEIR GROUP has won three export orders, totalling £3.7m, from the water and sewage industries in Quatar, Egypt and Nigeria. The projects were won by Weir's specialist water and sewage industry team, based at Alloa, and all the pumps will be manufactured at its Glasgow plant.

The largest contract, worth over £3m, has been placed by the Ministry of Public Works, State of Quatar. The company will supply equipment for two pumping stations as part of the Doha West sewage forwarding scheme. Completion is scheduled for the end of next year.

The second order, worth £400,000, is to supply equipment to two sewage pumping stations at 6th of October City in Egypt. Delivery is scheduled for the end of the year.

The third contract, worth more than £300,000, forms part of a project to rehabilitate and upgrade water treatment works for the Nigerian city of Kaduna.

In the desert

A £10m contract to provide engineering and construction services and carry out extension works and modifications to a large number of oil gathering facilities in Oman has been awarded to TAYLOR WOODROW-TOWELL COMPANY. The order has been placed by Petroleum Development Oman and will last for over three years. The work will take place in the south of Oman, a desert environment where some 25 oilfields and associated evacuation pipelines are in operation.

Building in St. Albans

HUNTING GATE CONSTRUCTION has been awarded contracts worth more than £20m in St. Albans.

These include an office development in Victoria Square; a waste disposal and central depot; a multi-storey carpark; a community hall and road extension.

The office, which will provide 110,000 sq ft is on the site of a former council central works depot that was built as a prison in the mid-nineteenth century.

More recently it found fame as the location for the television series "Porridge".

It will have a reinforced concrete-framed structure on concrete pad foundations and be built to three and four storeys over a small basement.

It will include full air conditioning, raised access flooring, passenger lifts and landscaped carparking area.

Part of the original Victorian prison buildings, including the Governor's quarters and offices, are being retained and refurbished as office suites.

The facade will be brick, with reconstituted stone arches and sills to the windows. It will have a traditional slate roof. A central courtyard forms a focal point.

The first phase of the building has started. The second phase is scheduled to start in November this year.

The two other projects which form part of the barter agreement between the developer and the council have both been awarded to Hunting Gate Design + Build.

The waste disposal and central depot in St Albans Road is being constructed around a steel-framed structure on concrete pad foundations.

It will be clad in profiled steel and provide around 50,000 sq.ft. of offices, stores, workshops, garage and canteen facilities, partly on two storeys. Work on this part of the scheme is scheduled for completion in 40 weeks.

Work starts on Monday on the third element of this project, a car park on a restricted site with difficult access in Russell Avenue.

Space for more than 300 vehicles will be provided in a three-storey structure with semi-basement. It has been designed to match a car park nearby and will have pre-cast concrete fins and facing brickwork.

★

British Coal has awarded a £50m contract to FAIRCLOUGH PARKINSON MINING for the further development of the Blindwells opencast mine at Tranent, East Lothian. FPM will extract 3.75m tonnes of coal from the site, which the company has been exploiting for some years. It is planned to achieve outputs up to 10,000 tonnes/week by the end of the year.

THE F.T. CENTENARY TRIPLE MARATHON CHALLENGE

(London Paris New York)

IN AID OF THE SICK CHILDRENS TRUST

Two employees from the Financial Times will be running the London, Paris and New York marathons this year to raise money for The Sick Children's Trust.

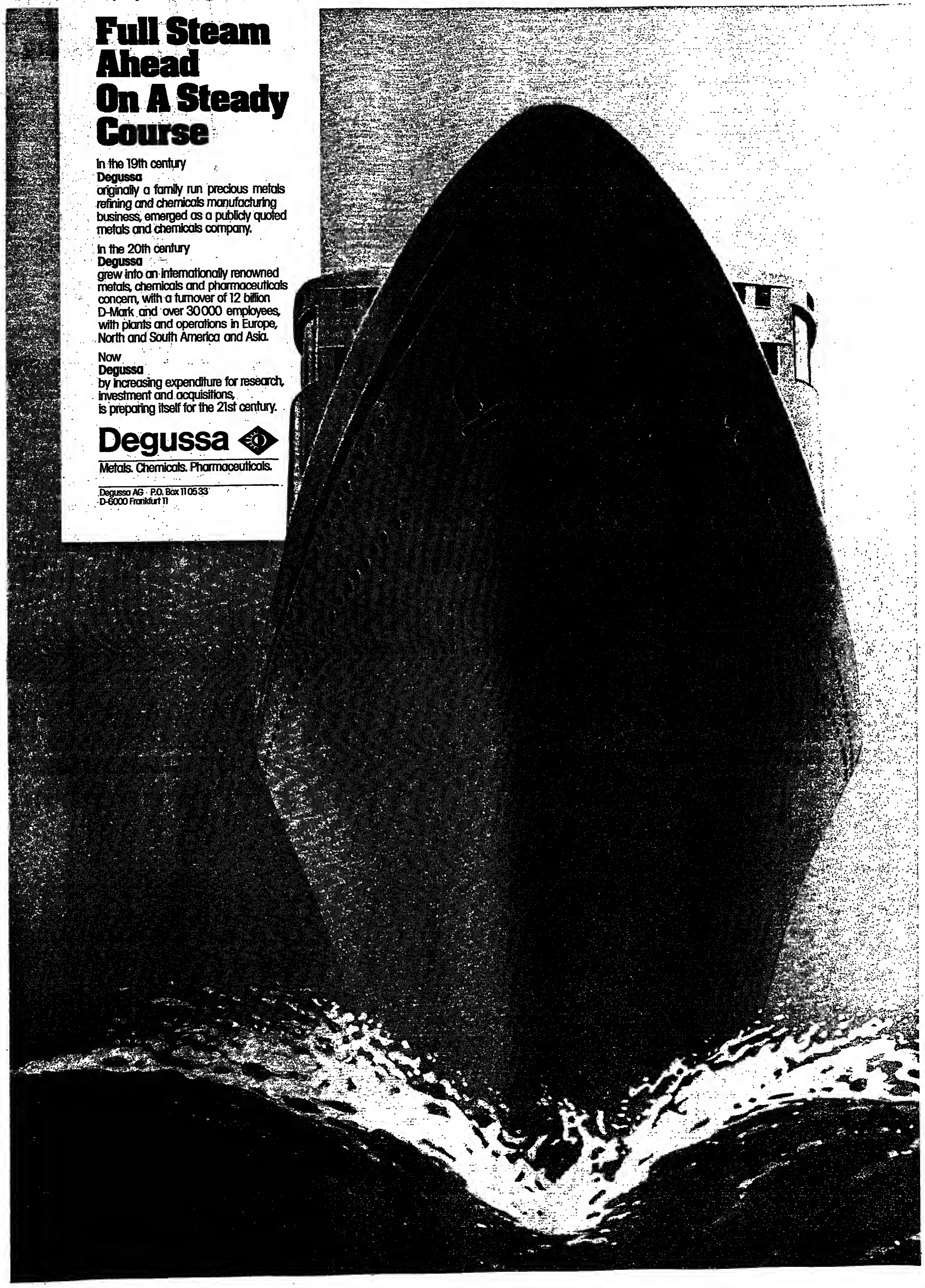
This charitable trust provides desperately needed accommodation for parents of children undergoing long-term specialist treatment at Great Ormond Street and St Bartholomew's Hospitals. The accommodation is currently in very short supply and is urgently required to house parents to comfort their children while they are away from home.

To sponsor the FT athletes please contact:-

Tim Kingham or Cliff Crofts on 01-248 8000 or write to them at:-
Financial Times, Bracken House, 10, Cannon Street, London, EC4P 4BY.

THE SPONSOR WHO DONATES THE HIGHEST CONTRIBUTION WILL RECEIVE A CASE OF LAURENT-PERRIER FT CENTENARY PINK CHAMPAGNE.

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER


Full Steam Ahead On A Steady Course
In the 19th century
Degussa
originally a family run precious metals refining and chemicals manufacturing business, emerged as a publicly quoted metals and chemicals company.
In the 20th century
Degussa
grew into an internationally renowned metals, chemicals and pharmaceuticals concern, with a turnover of 12 billion D-Mark and over 30000 employees, with plants and operations in Europe, North and South America and Asia.
Now
Degussa
by increasing expenditure for research, investment and acquisitions, is preparing itself for the 21st century.
Degussa
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D-6000 Frankfurt 11

COMMODITIES AND AGRICULTURE

Drought threatens Canadian farms

By David Owen in Toronto

AN INCIPIENT drought is causing increasing concern in the agricultural heartland of Western Canada.

While the seeding of grain is running well behind schedule in all three of the main wheat producing provinces, it is the livestock sector which, up to now, has been worst affected by the abnormally dry conditions.

Water shortages, slow pasture growth and the escalating cost of seed have forced some herd sell offs, which in turn are depressing cattle prices. Some farmers are seeking Federal Government assistance to compensate for the forced sales.

There is also concern that the hay crop this summer could be abnormally low, threatening a possible shortage of seed later in the year.

The consensus among grain analysts, meanwhile, is that the lack of rainfall will start to cause real concern about eventual crop yields only if it persists until early June. "The wheat plant is a very durable creature," as one pointed out.

Autumn-seeded crops such as winter wheat and rye, together with the relatively small acreages of seedlings which have already germinated, are however beginning to show signs of serious drought stress, according to observers in Alberta and Saskatchewan.

"Assuming average weather patterns from now on, conditions would indicate a minor reduction in yields, a Winnipeg-based analyst said.

● East German newspapers say farmers are working extra shifts to water crops to compensate for the severe lack of rain in the past six weeks, reports Reuter from East Berlin.

"Since the beginning of April, moisture levels have been only one to 10 per cent of the average over many years," according to the Communist Party daily Neues Deutschland.

It said farmers were tapping water from reservoirs and lakes to help keep crops supplied.

The agricultural daily Bauern-Echo said there was no rain at all in East Germany between May 9 and 15. It gave farmers specific instructions on how much water to apply to different crops to avoid damage.

The newspapers gave no figures for crop damage or for water reserves used, but Bauern-Echo said 1,660 hectares of forestry had been destroyed by fire

Tribuene, the trade union newspaper, noted water supplies were boosted earlier this year by floods.

Berliner Zeitung, East Berlin's daily, said farmers near the city were struggling to minimise damage to their 4,600 ha.

"After the usual muddy, softened ground in March we are now fighting against dryness and dust," one farmer told the daily.

Speculative buying sparks off cocoa market rally

BY DAVID BLACKWELL

COCOA PRICES surged in London yesterday following the strong advance in New York on Tuesday, when a record 12,906 contracts were traded as speculative money poured into the Coffee, Sugar and Cocoa Exchange.

The second position contract on the London Futures and Options Exchange (Fox) closed last night at £956 a tonne, a rise of £30 on the day, up £54 on the week so far, and the highest closing prices since March 25.

New York analysts said that Chicago speculators who have made money recently in the grain and booming soyabean markets have turned to cocoa, which has been at historic lows.

"The charts are looking good, manufacturers have given up their bearishness, and nearby supplies are tight," said one New York analyst yesterday.

However, analysts in London were puzzled by the extent of the New York rise, although they felt the London market had been oversold to a certain extent. Prices in London had followed the American market, and been helped by currency factors and the shortness of nearby supplies of good quality West African cocoa, particularly from the Ivory Coast, they said.

But no new fundamental factors had emerged. The Ivory Coast, the world's biggest producer, is believed not to have sold any cocoa since February. The country is operating a policy of not selling cocoa from its warehouses because it considers that world prices are far too low. It is thought to be waiting for the price to hit $1,900 a tonne in New York, where it is till around $1,700 a tonne.

Sales from Brazil have been slower than expected – but the fact remains, said one analyst, that the cocoa is overhanging the world market, which has been depressed by a massive oversupply. Gill & Duffus, the influential London trading house, puts this year's surplus at 122,000 tonnes. The Ivory Coast alone could have more than that in store.

The latest increase in prices could induce some West African sales, said one analyst yesterday. If they do, the market is likely to move down sharply again.

Wine leads surge in US sales to EC

BY NANCY DUNNE IN WASHINGTON

THE VALUE of US wine exports to the European Community soared by 95 per cent during the first five months of the 1987-88 (October-September) financial year and, along with other US farm exports, are forecast to keep expanding, according to the US Agriculture Department.

The expansion, if it continues, could have a calming effect on the many US-EC agricultural trade disputes which have threatened to erupt into damaging trade wars.

A report yet to be released by the Department is optimistic about the growth of US farm trade in Europe, predicting an overall 5 per cent rise this year and citing attractive prices, favourabla exchange rates and continued economic growth in the Community.

Wine has been helped by all these factors. Exports totalled $5.6m in the first five months, recording an 88 per cent increase in volume.

Beef and veal exports to the Community were up 22 per cent in the same period, and exports of fruit and fruit products climbed by 27 per cent. Exports of feed grains and their by-products rose 11 per cent, mainly because of a settlement over EC enlargement, and strong buying is expected to continue for the remainder of the first half of 1988.

The report, scheduled for release within two weeks, contains analysis of the current EC farm regime and concludes that it will probably have little impact on US grain exports to the Community. It says that the so-called budget stabilisers and the acreage set-aside programme for cereals could be made effective only if national governments were willing to pay enough to make set-asides attractive to producers.

The Community remains the largest regional market for US agriculture. American farm exports to the EC were valued at $6.8bn in 1987, up 3.2 per cent over 1986 but well below levels of the early 1980's. Exports of soyabean feeds and fodder and fruit all increased. Grain exports increased in volume but fell in value as prices declined.

Freight futures plunge

By David Blackwell

DRY CARGO futures prices were hit by their biggest ever one-day falls yesterday as trading volume reached a record high on London's Baltic International Freight Futures Market (Biffex).

"The violence of the move was quite staggering," said one trader.

The fall started in the morning, when trading was soon suspended for 15 minutes for the second consecutive day after a 50 point fall in the July contract. After the Baltic Freight Index on which the contracts are based shed 17.5 points to 1,488 prices continued to fall, and the July contract closed down 150 at 1,385 points.

A record 1,735 lots were traded, easily outstripping the 1,573 lots traded on May 6, when the July contract rose by the previous record of 90.5 points.

Traders attributed Tuesday's decline of 63 points for July to the fact that the physical shipping market was topping out ahead of the traditional summer slump. But yesterday's fall in the futures prices "came much sooner and was much more violent than we anticipated," said Mr James Gray of GNI Futures.

Biffex has been volatile since the beginning of the year. The July contract reached a high of 1,625 on March 23 before declining 400 points throughout April to a low of 1,330. It recovered to touch 1,500 on Tuesday before starting the present plunge.

'Reticent' trade policy attacked

BY TIM DICKSON IN BRUSSELS

EUROPE'S GRAIN traders yesterday delivered a strong rebuke to the European Community for failing to pursue a sufficiently aggressive strategy in world export markets.

In a paper presented in Brussels, Coceral, the leading cereals trade organisation accused the European Commission of "deliberate reticence" and suggested that in order to impress the US the EC had gone to "unnecessary lengths to behave like a good boy" during the last 12 months.

"It is completely incomprehensible that the Commission this season has not made as good use as it could have of export possibilities, particularly for wheat," Mr Rudolf Stohr, chairman of Coceral's Foreign Trade Committee told journalists. For 1987/88, he pointed out, EC wheat exports at 13.5m tonnes were just 13 per cent of the world market, against 18 per cent in the previous year and between 14 and 16 per cent in earlier years.

Mr Stohr said he could only speculate on the reasons but he did not believe that the Brussels policy was determined by financial considerations, given what he called the generous export subsidies granted at the beginning of the season. On the other hand it could be based on the hope that by avoiding allegations that it was grabbing an unfair market share the Commission "could induce the US to moderate its export promotion measures."

The Coceral paper draws attention to the hardening of barley, feed wheat and bread wheat prices since the low points reached last autumn – a consequence of the escalating subsidy race between the EC and the US – but doubts whether this upward trend will persist with the coming harvest likely to be larger. "If the EC wants to defend its traditional markets," said Mr Stohr," particularly in the Mediterranean region and the Eastern bloc countries it will not be able to dodge meeting the challenge from the US with an offensive export policy."

Coceral yesterday also disclosed that its forecast for the EC cereals crop this year is 159.1m tonnes, just below the 160m-tonne ceiling agreed under the so-called stabiliser programme by EC Heads of Government at the February Summit. The group cautioned that the calculations had been done without the full details of maize plantings in parts of France and "could be a bit low" with a margin of error between 159m. and 161m.

Under the political agreement reached earlier this year producers will have to pay an additional 3 per cent co-responsibility levy on top of the basic 3 per cent levy which already exists. However, part or all of this will be reimbursed to the extent that the actual figure for 1988-89 available next March is less than 3 per cent above 160m tonnes. On top of this prices will be cut 3 per cent in the following marketing year if EC production turns out to be even a single tonne over 160m.

A senior Commission official last night refuted the criticism of its export strategy as "playing with figures." He pointed out that in the 1970s the Community's share of the world market had often been well under 10 per cent.

Fresh approach to commodities urged

By David Owen in Toronto

NEW APPROACHES to the problems of commodity markets are urgently required if primary commodity production is to play a role in the economic recovery of many Third World countries, according to a recent report.

These approaches should include agreement to lower international barriers that hinder developing country exports of processed commodities and manufactured goods.

Also critical will be the success of measures to boost economic growth in the western industrialised nations.

At the root of the problem, the report suggests, are the generally depressed real prices for most commodities, which, in many cases, remain at or near post-war lows. The recent bull markets for various metals, notably copper and nickel, have improved matters only slightly.

This situation, moreover, is likely to persist for the foreseeable future. The report cites several reasons for this, including slower economic growth in major industrial countries, expanded world supplies, increased use of substitutes and new methods of industrial production.

Such a scenario spells trouble for the more than 50 developing countries which still rely on raw material exports for more than half of their export trade. Indeed, 11 developing countries – Burundi, Cuba, Equatorial Guinea, Uganda, Zambia and the oil-producing states of Angola, Congo, Iran, Iraq, Mexico and Nigeria – are more than 70 per cent dependent on a single commodity.

Commodity trade: the Harsh Realities – available from The North-South Institute, 55 Murray Street, Ottawa. Price C$3.

Jamaica aims for new heights with its Blue Mountain coffee

BY CANUTE JAMES IN KINGSTON

IN NEW YORK, a pound of it can be had from the supermarket for $22. In Tokyo, you can get it for the equivalent of $35.

This might sound rather expensive for coffee – but it is not your run-of-the-mill arabica or robusta. It is a unique type grown in the Blue Mountains in the eastern region of Jamaica.

There is not much of it around. Only 6,150 bags (60 kg each) were produced last year from 5,000 acres, and an expansion of the area under the high-grown variety, which started four years ago, will lift output to about 9,000 bags this year.

The expansion projects, being funded by Japanese loans to the Jamaican Government, will eventually take the area under the Blue Mountain variety to about 11,000 acres. The Jamaican Coffee Industry Board says when the new plants start to produce, by 1993, output of Blue Mountain coffee should reach about 60,000 bags a year.

"Studies which have been done in the major consumer countries have indicated that even with a tenfold expansion in production of Blue Mountain coffee, we can command the same prices," says Mr John Pickersgill, general manager of the board.

While prices for more mundane coffees are settling at just over $1 a pound, Blue Mountain beans fetch Jamaican growers $6.20 a pound.

"Jamaica's coffee is insulated from what happens on the world market because it is sold at a premium," says Mr Pickersgill. "The demand for Blue Mountain coffee will continue to be strong in our traditional markets, with Japan taking 80 per cent of it."

While the Japanese have been the main purchasers of the select beans, the North American market has been growing in recent years, particularly in the US. Mr Pickersgill says there are also potentially strong markets in Switzerland, Scandinavia and south-east Asia.

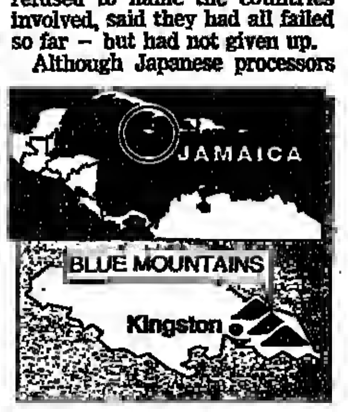
The demand for Blue Mountain coffee, and the high prices which it commands, is not just a result of the limited quantities produced. It is the distinctive taste which earns the large premium.

"It is not a special variety of the coffee plant, although we make sure none of the robusta variety is grown in Jamaica," Mr Pickersgill explains. "But the litmus test of Blue Mountain coffee is in the cup, where the consumer can tell the difference."

The difference is created by a combination of ecological and locational factors which are unique to parts of the Blue Mountain range between altitudes of 1,000 ft and 6,000 ft. Mr Pickersgill says the berries get their unique flavour from a combination of soil types, exposure to sun, temperature variations and cloud cover.

Other coffee-producing countries in Central America and the Caribbean have attempted to duplicate the Blue Mountain conditions and thus produce a similar coffee. Mr Pickersgill, who refused to name the countries involved, said they had all failed so far – but had not given up.

Although Japanese processors



have been the main purchasers of Blue Mountain coffee over recent years, this was not always so. Up to 20 years ago, most of the output was sold to British importers. Mr Pickersgill said direct shipments to Japan were made after it was discovered that this was the ultimate destination of the beans sold to Britain, and that the British traders were reaping handsome profits.

The Jamaican coffee industry has been faced with attempts to pass off other coffees as having come from the Blue Mountains.

"We can do little about attempted fraud," said Mr Pickersgill. "Our basic tool in fighting this is to be discriminatory when selling Blue Mountain coffee. We sell to a small group – a sort of old boys' club – so we know them. At this end, the industry is highly regulated. All coffee leaving Jamaica has to be certified by the board as to its type and quality."

While Blue Mountain coffee attracts high prices and is in great demand, coffee produced in other parts of the island is also regarded as being better than beans produced elsewhere. Prime Jamaican washed, a description which covers all coffee produced in the island outside the Blue Mountain area, fetches about $3.20 per pound.

Production last year was just over 19,000 bags but this – like the Blue Mountain variety – is being increased. Roughly 20,000 acres are under the lowland variety, and another 2,000 acres are being added with funding from the European Community. A further 2,000 acres are being rehabilitated and with this expansion, and better agricultural techniques, the coffee board expects production of prime washed to reach 60,000 bags in the next five years.

"Jamaica's quota under the coffee agreement is 26,000 bags, against a global production level of 58.5m bags," said Mr Pickersgill. "So we have nothing to fear from an increase in output at the levels we have planned. And there will always be a demand and good prices for any coffee coming from Jamaica."

China to buy Jamaican alumina

CHINA IS to purchase 100,000 tonnes of alumina from Jamaica over the next two years, following an agreement between the China National Import Export Corporation and the Bauxite Alumina Trading Company, a Jamaican state agency, writes Canute James.

The Chinese agency had wanted 350,000 tonnes of alumina from Jamaica, but the island's industry, which has a rated capacity of about 1.8m tonnes per year, is meeting supply contracts which left it with only 100,000 tonnes uncommitted, according to government officials.

The sale to China is expected to earn Jamaica about US$29m and shipment of the first 50,000 tonnes will begin before the end of this year.

The Chinese will seek the additional 250,000 tonnes of alumina from Venezuela.

WORLD COMMODITIES PRICES

LONDON MARKETS

GOLD PRICES advanced yesterday as investors turned their attention to precious metals following the weakness in stocks and bonds. Fears of rising inflation exacerbated by higher soybean prices were also supportive, dealers said The metal closed at $458.25 on the London bullion market, a rise of $4.50, after touching $460 earlier before running into profit-taking. Analysts reported firm overhead resistance at $460/$462, but felt a break above that level would open the way to at least $470 and maybe even to $490. On the LME nickel prices firmed on short-covering and nearby borrowing (buying cash and selling forward). Three-month metal closed up $225 at $13,850 a tonne, equivalant to $6.28 a lb. The market is still being contained by chart resistance up to $6.50 a lb and remains vulnerable to further downside correction to around $5.80, analysts said.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.85-5.02t	-0.035
Brent Blend	$16.49-6.58t	-0.10
W.T.I.(1 pm est)	$17.25-7.28t	-0.18
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$196-198	
Gas Oil (Soviet)	$143-144	-0.5
Heavy Fuel Oil	$76-78	
Naphtha	$163-165	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$458.25	+4.50
Silver (per troy oz)♣	673c	+17
Platinum (per troy oz)	$560.00	+11.25
Palladium (per troy oz)	$124.75	+1.25
Aluminium (free market)	$3460	
Copper (US Producer)	100½-104¼c	+1.375
Lead (US Producer)	35.5c	
Nickel (free market)	770c	
Tin (European free market)	£3685	-15
Tin (Kuala Lumpur market)	17.43r	
Tin (New York)	321.5c	
Zinc (Euro. Prod. Price)	$1055	
Zinc (US Prime Western)	54c	
Cattle (live weight)†	112.55p	-0.27*
Sheep (dead weight)†	200.76p	-24.18*
Pigs (live weight)†	71.41p	+1.25*
London daily sugar (raw)	$236.8a	-2.8
London daily sugar (white)	$251.0s	-1.0
Tate and Lyle export price	£235.0	-2.0
Barley (English feed)	£108.5	-1.0
Maize (US No. 3 yellow)	£135.0	
Wheat (US Dark Northern)	£94.7	
Rubber (spot)♥	70.50p	+0.25
Rubber (June)♥	74.50p	+0.25
Rubber (July)♥	74.75p	+0.25
Rubber (KL RSS No 1 June)	330.0m	+8.5
Coconut oil (Philippines)§	$540x	
Palm Oil (Malaysian)§	$430t	
Copra (Philippines)§	$355	
Soyabeans (US)	£172	+2
Cotton "A" Index	65.85c	-0.25
Wooltops (64s Super)	670p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. u-Oct/Dec. x-May/Jul. t-Jun. s-May/Jun. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
May	939	912	936	923
Jly	956	926	958	935
Sep	970	943	973	954
Dec	989	964	990	975
Mar	1011	986	1011	995
May	1029	1004	1028	1012
Jul	1047	1022	1047	1032

Turnover: 8302 (3222) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 18 : 1239.48 (1223.37) .10 day average for May 19 : 1223.21 (1222.86)

COFFEE £/tonne

	Close	Previous	High/Low	
May	1070	1080	1075	1061
Jly	1085	1096	1092	1078
Sep	1095	1088	1095	1074
Nov	1096	1090	1104	1085
Jan	1113	1098	1111	1090
Mar	1120	1105	1113	1100
May	1125	1110	1121	1110

Turnover: 5283 (1310) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 18: Comp. daily 1979 116.69 (117.32); 15 day average 115.69 (115.59).

SUGAR $ per tonne

Raw	Close	Previous	High/Low	
Aug	215.20	209.00	216.00	207.80
Oct	214.60	208.40	216.20	207.20
Dec	214.40	208.60	210.40	
Mar	213.40	206.40	214.20	197.40
May	213.40		207.80	

White	Close	Previous	High/Low	
Aug	253.00	247.30	254.00	246.50
Oct	249.00	244.80	249.00	242.50
Dec	248.50	243.00	245.00	242.00
Mar	255.00	248.50	252.00	248.50
May	258.00	250.50		
Aug	260.00	253.00		

Turnover: Raw 2414 (1394) lots of 50 tonnes; White 1568 (1111).
Paris- White (FFr per tonne): Aug 1494, Oct 1419, Dec 1419, Mar 1454, May 1460, Aug 1495

GAS OIL $/tonne

	Close	Previous	High/Low	
Jun	142.00	142.00	142.25	141.00
Jul	141.80	141.25	141.80	140.25
Aug	142.50	142.75	142.50	142.00
Sep	144.50	144.50	144.80	143.75

Turnover: 1774 (4526) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
May	105.85	108.15	105.85	105.30
Jly	107.80	108.10	107.50	107.80
Sep	102.95	102.50	103.05	102.95
Nov	104.75	104.60	105.10	104.75
Jan	107.40	107.20	107.60	107.35
Mar	109.60	109.40	109.80	109.60
May	111.90	111.90	112.25	111.90

Barley	Close	Previous	High/Low	
May	102.75	103.50	103.25	102.75
Sep	99.75	99.35	99.95	99.50
Nov	102.10	101.85	102.30	102.05
Jan	104.55	104.30	104.75	104.55
Mar	106.70	106.30	106.70	
May	108.90	108.50	108.90	

Turnover: Wheat 319 (292) , Barley 167 (61) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	3320-50	3440-70		3455-65		
3 months	2480-500	2480-510		2495-505	2480-500	4,541 lots
Aluminium,99.5% purity (£ per tonne)						Ring turnover 35,050 tonne
Cash	1765-95	1840-60	1850/1840	1830-40		
3 months	1311-2	1316-7	1326/1292	1315-6	1320-1	49,294 lots
Copper, Grade A (£ per tonne)						Ring turnover 33,800 tonne
Cash	1290-5	1380-90	1295	1290-310		
3 months	1143.5-4	1165-6	1152/1140	1152-3	1147-8	68,762 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1180-200	1180-210		1180-200		
3 months	1110-20	1125-35		1115-25		40 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	663-5	654-7		670-2		
3 months	675-7	666-9		682-4	670-5	667 lots
Lead (£ per tonne)						Ring turnover 8,675 tonne
Cash	338-8	362-3	362	361-2		
3 months	337-8	341-2	343/337	339.5-40	338-9	11,054 lots
Nickel ($ per tonne)						Ring turnover 792 tonne
Cash	17000-100	16500-800	17000/16800	16750-800		
3 months	13800-900	13600-50	14000/13800	13800-50	13800-14000	6,615 lots
Zinc (£ per tonne)						Ring turnover 9,550 tonne
Cash	629-31	625-7		628.5-9		
3 months	619-21	616-6	621/615	617-7.5	618-9	20,061 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	89.90	93.0	90.00	89.00
Feb	97.50	101.0		
Apr	136.10	141.0	140.00	135.00
May	144.70	150.0	147.50	143.50

Turnover: 707 (535) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Jan	144.00	139.50	144.00	139.50
Aug	142.00	137.30	142.00	138.00
Oct	142.00	138.00	142.00	139.00
Dec	144.50	141.00	144.50	144.50
Feb	148.00		148.00	144.00

Turnover: 661 (79) lots of 100 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Jly	1285.0	1435.0	1400.0	1285.0
Oct	1365.0	1470.0	1445.0	1365.0
Jan	1375.0	1470.0	1420.0	1375.0
Apr	1410.0	1510.0	1440.0	1410.0
BFI	1438.0	1455.5		

Turnover: 1735 (629)

FRUIT AND VEGETABLES

SUMMER FRUITS are begining to enter the shops, with the first peaches and nectarines 28-35p each, apricots 75-90p a lb and the first English strawberries £1.00-1.50 a half pound. Spanis galia melons are down to 80-£1.40 (90p-£1.50) as supplies increase, as are mangoes 85p- £1.00 (75p-£1.30) and bananas 32-65p (35-65p).Jersey royal new potatoes are 25-40p (40-75p), while the first homegrown new potatoes 30-40p and Brittany prince new potatoes 20-32p have arrived this week. English asparagus is now £1.40-2.00 (£1.50-2.20) as supplies build, while courgettes 60p-£1.00 and cauliflowers 25-55p (25-60p) remain abundant. Tomatoes are the top salad choice at 50-75p (60-85p), while spring onions 20-40p, cucumbers 25-55p and round lettuce 22-33p (20-33p) remain excellent value.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	458-458½	245½-246
Opening	455¾-456¼	244¼-244¾
Morning fix	456.65	244.695
Afternoon fix	457.90	245.234
Day's high	459½-460¼	
Day's low	455¾-456¼	
Coins	**$ price**	**£ equivalent**
US Eagle	471¾-476¾	252¾-255¾
Mapleleaf	471¾-476¾	252¾-255¾
Britannia	471¾-476¾	252¾-255¾
Krugerrand	456½-459½	244½-246½
1/2 Krug	237-246	127-131¾
1/4 Krug	118-126	63¼-67½
Angel	470-475	251¾-254½
1/10 Angel	47-52	25½-27¾
New Sov.	108-108¾	58-58¼
Old Sov.	108-109½	58-59
Noble Plat	572.7-9.3	307-310.5

Silver fix	p/fine oz	US cts equiv
Spot	360.35	672.50
3 months	367.10	684.85
6 months	375.15	698.80
12 months	391.10	726.35

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	July	Sept	July	Sept
2250	431	253	21	147
2400	311	182	49	223
2550	211	126	98	315
Aluminium (99.5%)	**Calls**		**Puts**	
2250	408	208	25	126
2400	291	137	57	203
2550	186	87	111	300
Copper (Grade A)	**Calls**		**Puts**	
2100	168	131	57	135
2200	110	91	100	193
2300	68	62	158	261

US MARKETS

THE PRECIOUS METALS opened firm on trade and local buying which ran into commission house profittaking before trading narrowly during mid-session, reports Drexel Burnham Lambert. Later on, trade selling and local long-liquidation took prices down to the lows of the day, where the markets held short-term support. Copper rallied on trade buying, but arbitrage selling pushed values back before late local short-covering firmed prices once more. The major feature in the energy complex was position-squaring in the expiring June crude oil contract as it moved to a discount to the July, indicating continued good supply. Short-covering firmed the products, especially the June heating oil. Coffee was slightly firm as the market consolidated, cocoa continued to rally with speculative buying in e market devoid of origin selling. Sugar held the lows of its recent trading range, then rallied on good trade and commission house buying which touched off stops. The grains, especially maize, soyabeans and wheat, were all sharply higher

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
May	457.4	457.0	459.3	459.3
Jun	459.0	458.1	462.3	459.0
Jul	460.3	460.2	0	0
Aug	461.0	461.8	466.0	0
Oct	467.2	466.0	471.0	467.0
Dec	471.2	471.4	476.0	470.5
Feb	471.2	476.5	478.9	477.7
Apr	481.0	481.8	0	0
Jun	487.0	487.2	490.4	489.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
May	563.6	537.1	555.0	556.0
Jul	567.5	563.3	569.0	556.0
Oct	562.5	569.0	574.5	562.0
Jan	568.3	575.0	582.0	570.0
Apr	574.8	581.5	585.5	585.5
Jul	581.0	588.0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	661.2	668.5	677.0	663.5
Jun	663.2	670.6	679.0	679.0
Jul	667.0	675.0	682.0	665.5
Sep	676.2	683.7	691.0	674.8
Dec	690.8	698.1	706.0	685.5
Jan	695.3	702.6	0	0
Mar	705.4	712.7	718.0	707.0
May	715.4	722.7	0	0
Jul	726.0	733.3	730.0	730.0
Sep	736.8	744.1	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	103.45	103.50	103.50	101.70
Jun	99.45	98.75	0	0
Jul	96.45	95.25	96.60	93.20
Sep	90.85	89.95	91.00	89.00
Dec	86.65	185.65	86.50	84.50
Jan	85.70	184.65	0	0
Mar	83.85	182.65	82.60	82.00
May	82.65	781.45	0	0
Jul	01.45	80.25	0	0
Sep	80.45	79.25	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jun	17.29	17.43	17.38	17.25
Jul	17.60	17.63	17.82	17.52
Aug	17.73	17.71	17.74	17.62
Sep	17.82	17.75	17.82	17.64
Oct	17.84	17.76	17.85	17.67
Dec	17.90	17.75	17.90	17.69
Feb	17.70	17.70	0	0
Mar	17.70	17.67	17.71	17.71

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jun	47.30	47.07	47.35	46.70
Jul	46.85	46.92	46.90	46.55
Aug	47.40	47.45	47.60	47.20
Sep	48.10	48.12	48.15	47.85
Oct	48.80	48.79	48.90	48.60
Nov	49.60	49.46	49.60	49.25
Dec	50.30	50.13	50.30	49.90
Feb	50.00	50.13	50.00	49.90
Mar	48.40	48.73	48.40	48.40

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1682	1665	1693	1671
Sep	1692	1671	1700	1680
Dec	1717	1693	1720	1700
Mar	1750	1728	1765	1735
May	1775	1750	1780	1760
Jul	1800	1776	1805	1795
Sep	1820	1801	1835	1835

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	133.19	132.53	133.50	132.10
Sep	134.50	133.70	134.90	133.25
Dec	135.50	134.80	136.70	134.20
Mar	136.05	134.35	136.05	134.00
May	134.88	134.25	134.50	134.00
Jul	134.25	133.50	134.50	134.00
Sep	135.00	136.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	9.49	9.19	9.53	9.38
Oct	9.54	9.30	9.63	9.31
Jan	9.80	9.38	9.80	9.50
Mar	9.52	9.31	9.54	9.22
May	9.51	9.54	9.54	9.28
Jul	9.58	9.37	9.55	9.56
Oct	9.57	9.48	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	65.15	65.40	66.89	65.10
Oct	62.75	63.00	64.00	62.70
Dec	01.65	61.67	62.90	61.60
Mar	82.05	01.97	63.20	62.05
Jul	62.18	62.15	0	0
Oct	61.77	61.65	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	165.10	164.55	166.00	165.00
Sep	161.15	160.60	162.00	161.10
Nov	156.10	155.25	156.50	155.75
Jan	153.00	152.75	153.70	153.00
Mar	153.00	152.80	0	0
May	153.00	152.80	8	0
Jul	153.00	152.80	0	0
Sep	153.00	152.80	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

May 18	May 17	mnth ago	yr ago
1805.2	1808.5	1733.7	1638.b

DOW JONES (Base: December 31 1974 = 100)

Spot	134.36	134.11	129.24	131.40
Futures	136.15	135.61	132.71	130.54

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	777/0	756/4	784/0	764/0
Jul	788/0	765/4	794/6	767/0
Aug	772/0	770/2	797/0	772/0
Sep	773/2	773/4	800/0	773/0
Nov	782/0	783/0	808/0	781/0
Jan	789/4	791/6	815/0	789/0
Mar	797/4	799/2	822/0	797/4
May	800/0	801/2	824/0	800/0
Jul	796/0	790/0	820/0	796/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	24.64	24.38	24.80	24.45
Jul	24.63	24.66	25.13	24.61
Aug	24.84	24.86	25.32	24.83
Sep	25.05	25.07	25.55	25.05
Oct	25.23	25.22	25.70	25.22
Dec	25.51	25.51	25.92	25.47
Jan	25.60	25.60	26.05	25.60
Mar	25.80	25.77	26.30	25.80
May	26.10	25.95	26.45	26.10
Jul	26.05	25.95	26.00	26.10

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	246.5	233.6	249.0	236.5
Jul	233.3	229.6	239.6	232.5
Aug	231.9	228.4	238.4	230.5
Sep	231.7	228.2	237.0	231.0
Oct	230.7	228.5	237.0	230.5
Dec	231.5	229.5	238.5	231.0
Jan	232.0	229.6	239.5	233.0
Mar	233.5	231.2	239.5	234.0
May	235.5	233.7	241.0	236.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	216/0	209/0	219/0	211/6
Jul	217/4	216/0	225/4	217/0
Sep	226/2	223/6	233/6	225/4
Dec	237/4	234/4	244/4	236/2
Mar	245/4	242/6	252/6	244/0
May	250/2	247/4	257/4	249/4
Jul	250/6	248/4	258/4	250/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	338/0	323/4	341/4	336/0
Jul	342/2	331/4	350/0	334/0
Sep	349/6	336/0	359/0	343/0
Dec	360/4	349/2	369/2	353/0
Mar	363/4	356/0	372/0	361/0
May	363/4	352/6	365/0	363/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	73.12	73.82	74.22	72.75
Aug	69.07	69.85	70.32	68.50
Oct	69.95	68.92	69.20	67.80
Dec	69.15	69.82	70.00	68.80
Feb	69.95	69.60	69.95	68.80
Apr	70.45	70.75	70.90	70.00
Jun	70.40	70.60	70.90	70.00

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	53.67	53.25	53.95	53.07
Jul	52.30	52.47	53.07	52.25
Aug	50.42	50.47	51.00	50.25
Oct	45.30	45.40	45.77	45.25
Dec	46.67	46.77	47.05	46.60
Feb	46.80	46.65	46.95	46.65
Apr	44.32	44.12	44.60	44.25
Jun	48.35	48.12	48.60	48.35

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
May	53.05	53.37	54.30	52.37

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling remains steady

A STRONG rise in UK money supply, rising unit labour costs and the lowest rate of unemployment since 1981, left sterling virtually unmoved in currency markets yesterday.

Dealers stressed that higher bank lending would make it difficult for the Bank of England to consider a further cut in interest rates. Surprisingly however, there was only modest overseas interest in the pound. Its exchange rate index closed at 78.4 compared with 78.3 at the opening and Wednesday's close.

Despite the lack of initial reaction, the pound was expected to come under renewed upward pressure, especially since the dollar is failing to attract overseas buyers at the moment.

Against the dollar it closed at $1.8670 from $1.8645 but slipped in D-Mark terms to DM3.1750 from DM3.1800. It was also lower against the yen at Y233.0 from Y233.75. Elsewhere it finished at SFr2.6450 against SFr2.6500 and FFr10.7400 compared with FFr10.7525.

The dollar spent most of the day hovering below resistance levels of DM1.70 and Y125.0. The stronger tone seen after Tuesday's trade figures finally ran out of steam, as investors showed growing concern over inflation.

The market paid scant attention to comments by Mr James Baker, US Treasury Secretary, stressing that the US administration saw no evidence that high US domestic demand is fuelling an upsurge in inflation. He added that the forecast for this year of around 4 p.c. was likely to be held.

However dealers pointed out that consumer prices in the first quarter had already risen by 4.2 p.c.

The dollar closed at DM1.7000 from DM1.7050 and Y124.80 against Y125.40. Elsewhere it slipped to SFr1.4170 from SFr1.4210 and FFr5.7525 compared with FFr5.7675. On Bank of England figures, the dollar's exchange rate index fell from 93.6 to 93.3.

News that the Bundesbank left its interest rates unchanged at yesterday's meeting of the central council left the D-Mark unmoved.

Currency trading in Frankfurt was without any clear directive, and the dollar stayed within a tight range.

News of a 0.3 p.c. rise in West German producer prices in April, compared with a 0.1 p.c. rise to March added to concern about inflation. The year on year rise was 1.3 p.c. compared with 0.6 p.c. previously.

The dollar was weaker against the D-Mark at DM1.6990 from DM1.7045 while the yen moved up to DM1.3620 per Y100, its highest level since July 1986, and up from DM1.3595 earlier.

In Paris the French franc moved firmer at the expense of the dollar, but lost ground against the D-Mark. While the dollar fixing of FFr5.7540 was slightly better than the opening figure of FFr5.7525, it was down from Wednesday's fixing of FFr5.7710. The franc later moved up to FFr5.7555.

However dealers stressed that trading had been confined to a very narrow range, and the dollar was now back down to rates prevailing before Tuesday's release of US trade figures.

Tha D-Mark edged up to FFr3.3854 from FFr3.3849. The Bank of France left its intervention rate unchanged, which was much in line with expectations. The French franc remained little changed against its ECU central rate, and was well within its divergence indicator.

£ IN NEW YORK

May 19	Latest	Previous Close
£ Spot	1.8665-1.8675	1.8670-1.8680
1 month	par-0.01dis	flat-0.02pm
3 months	0.10-0.07pm	0.10-0.08pm
12 months	0.98-0.88pm	1.07-1.00pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 19	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4475	+2.33	+0.90	±1.5344
Danish Krone	7.85212	7.95957	+1.37	-0.06	±1.5404
German D-Mark	2.05853	2.08083	+1.06	-0.37	±1.0981
French Franc	6.90403	7.04407	+2.03	+0.60	±1.3674
Dutch Guilder	2.31943	2.33043	+0.47	-0.96	±1.5012
Irish Punt	0.768411	0.778599	+1.33	-0.10	±1.6684
Italian Lira	1483.58	1544.88	+4.13	+3.25	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING INDEX

POUND SPOT- FORWARD AGAINST THE POUND

CURRENCY RATES

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Added short term attraction

THE IMPLICATIONS of yesterday's wids variety of UK economic statistics were that the short end of the market gained even more attraction.

Three-month sterling deposit futures held firm, while long term gilt futures had a slightly softer tone.

The general view was that falling unemployment - with the April figure the lowest since October 1981 - and rising unit labour costs, were worrying from the point of view of industrial efficiency.

March industrial production rose a seasonally adjusted 1.2 p.c., recovering from a 2.1 p.c. fall in February, but was not quite as good a recovery as hoped for, while the level of bank lending continued to give cause for concern.

In April M4 bank lending, including building society loans, rose £8.2bn, compared with £6.8bn in March, with analysts pointing out that personal lending remains strong, and potentially inflationary, as borrowers use rising house values to provide security for consumer

Putting all these figures together tends to suggest that personal consumption will remain high, and that apart from the problems of inflation, the implications for the balance of payments are not encouraging.

Yesterday's figures on production and labour costs suggested that industry may have increasing problems meeting domestic demand, and that this will suck in imports.

On the other hand fears about inflation will not encourage the authorities to allow another cut in bank base rates, and this should provided support for sterling, at least in the short term.

Traders said this will underpin short sterling deposit futures, but economic fears will steepen the yield curve on interest rates, and lead to a fall in long gilt futures

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
1.800	6.55	6.95	-	7.85	0.05	0.40	-	1.45
1.825	4.25	4.95	5.40	6.15	0.15	0.85	1.50	2.18
1.850	2.25	3.30	3.85	4.65	0.65	1.70	2.25	3.10
1.875	0.95	2.05	2.55	3.40	1.75	2.80	3.40	4.30
1.900	0.25	1.15	1.70	2.45	3.50	4.40	4.95	5.80
1.925	0.05	0.55	1.10	1.80	5.70	6.30	6.75	7.50
1.950	0.05	0.25	0.65	1.25	8.15	8.45	8.75	9.35

Previous day's open int: Calls 462,619 Puts 451,903
Previous day's volume: Calls 50,246 Puts 30,974

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

Strike Price	Calls-settlements Jun	Jul	Aug	Sep	Puts-settlements Jun	Jul	Aug	Sep
1.65	18.65	-	-	19.05	1.30	-	-	1.80
1.70	15.70	-	-	16.40	0.55	-	-	1.50
1.75	14.20	12.10	14.40	12.40	0.30	0.30	0.40	0.65
1.80	6.00	7.40	9.60	8.20	0.20	0.70	0.65	2.00
1.85	2.35	5.30	6.00	4.95	0.80	2.25	2.10	3.35
1.90	0.55	1.45	3.30	2.70	4.00	3.40	4.25	5.15
1.95	0.40	1.00	1.60	1.35	6.20	6.85	7.45	8.25

Estimated volume total, Calls N/A Puts N/A
Previous day's open int: Calls 613 Puts 647

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE FT-SE INDEX FUTURES OPTIONS

LIFFE £/$ OPTIONS £25,000 (cents per £1)

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING

LONDON (LIFFE)

CHICAGO

MONEY MARKETS

Softer tone

INTEREST RATES had a slightly softer tone on the London money market yesterday, in spite of some worrying UK economic statistics, including a sharp rise to money supply growth.

The figures failed to completely dispel speculation that sterling will continue to rise, forcing another cut in UK bank base rates.

Three-month sterling interbank eased to 7$\frac{11}{16}$-7$\frac{9}{16}$ p.c. from 7¾-7⅝ p.c., but did no more than move down towards the present level of UK bank base rates.

UK clearing bank base lending rate 7½ per cent from May 18

The Bank of England initially forecast a money market shortage of £300m, but revised this to £200m at noon, and to £250m in the afternoon. Total help of £213m was provided.

The authorities did not operate in the market before lunch, but in the afternoon bought £13m bank bills outright in band 1 at 7⅜ p.c.

Late assistance of £200m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £84m, with Exchequer transactions absorbing £200m, and a rise in the note circulation £65m. These outweighed bank balances above target of £55m.

In New York the Federal Reserve Bank drained reserves from the banking system, via four-day matched sale and repurchase agreements, when Federal funds were trading at 7$\frac{1}{16}$ p.c.

In Frankfurt the Bundesbank left its credit policies unchanged at yesterday's council meeting. The West German discount rate remains at 2.5 p.c., and the Lombard rate at 4.5 p.c.

Call money eased to 3.10 p.c. from 3.25 p.c. in very comfortable conditions, with banks already fulfilling their minimum reserve requirements for the month

In Amsterdam the Dutch Central Bank accepted bids of Fl 2.9bn for six-day special advances, at a rate of 3.9 p.c. The central bank lowered its advances rate to 3.9 p.c. from 4 p.c. this week in an effort to stem the guilder's rise against the D-Mark.

In Zurich the major Swiss banks raised the rate on customer time deposits, for maturities from three to five months, by ¼ p.c. to 1¾ p.c.. The move follows an upward trend in Euro Swiss franc deposit rates, and a higher yield on Federal Government bonds.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

EUROPEAN OPTIONS EXCHANGE

Series		May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Nov. 88 Vol	Nov. 88 Last	Stock
GOLD C	$420	4	37.50	4	45 B	33	55	$458.60
GOLD C	$440	59	19	–	–	–	–	$458.60
GOLD C	$460	368	1.40 B	14	17.50	56	26.50	$458.60
GOLD C	$480	90	0.10	112	8	14	17	$458.60
GOLD C	$500	–	–	30	3.50	1112	11.50	$458.60
GOLD P	$440	–	–	60	5.20	30	8	$458.60
GOLD P	$460	236	2.20	9	30	–	–	$458.60
		May 88		Jun. 88		Jul. 88		
EOE Index C	Fl. 185	25	15 B	–	–	–	–	Fl. 200.50
EOE Index C	Fl. 195	22	6 A	2	8.50	8	11 B	Fl. 200.50
EOE Index C	Fl. 200	546	1.60	363	5.70	13	8	Fl. 200.50
EOE Index C	Fl. 205	130	0.20	291	4	73	6.20	Fl. 200.50
EOE Index C	Fl. 210	113	8.20	187	2.80 A	26	4.20	Fl. 200.50
EOE Index C	Fl. 215	–	–	28	1.40	2	3	Fl. 200.50
EOE Index C	Fl. 225	–	–	9	0.50	30	1.30	Fl. 200.50
EOE Index P	Fl. 185	5	0.20 A	30	1.70	–	–	Fl. 200.50
EOE Index P	Fl. 190	75	0.10	116	3.30	452	5	Fl. 200.50
EOE Index P	Fl. 195	361	0.40 A	307	5	76	7.50	Fl. 200.50
EOE Index P	Fl. 200	1016	1.20	148	7.20	110	9.50	Fl. 200.50
EOE Index P	Fl. 205	107	4.80 B	325	9.50	13	12.20	Fl. 200.50
EOE Index P	Fl. 210	89	10.30	141	12.50	4	15.50	Fl. 200.50
S/Fl C	Fl. 185	11	5.30	–	–	30	5.30	Fl. 190.50
S/Fl C	Fl. 190	51	0.50	38	1.90	8	2.30 A	Fl. 190.55
S/Fl P	Fl. 185	–	–	25	0.30	–	–	Fl. 190.55
S/Fl P	Fl. 190	292	0.30	18	1.90	–	–	Fl. 190.55
		Jul. 88		Oct. 88		Jan. 89		
ABN C	Fl. 35	23	3.20	76	3.50	105	3.80 B	Fl. 37.40
ABN P	Fl. 40	416	3.10	56	4.30	12	4.70	Fl. 37.40
AEGON C	Fl. 80	88	1.20	25	2	5	3.50	Fl. 75.50
AEGON P	Fl. 70	25	2 A	2	4	–	–	Fl. 75.90
AHOLD P	Fl. 55	20	0.20	–	–	–	–	Fl. 71.30
AKZO C	Fl. 100	377	9.30	38	12	–	–	Fl. 106.80
AKZO P	Fl. 100	140	2.20	31	4.10	3	6	Fl. 106.80
AMEV C	Fl. 50	267	2.20	12	3.80	113	5.20	Fl. 49
AMEV P	Fl. 45	51	0.80	9	2.20	–	–	Fl. 49
AMRO C	Fl. 65	111	1.30	254	2.70	–	–	Fl. 62.30
BUHRMANN-T C	Fl. 45	56	1.50	25	3.40	–	–	Fl. 44.60
ELSEVIER C	Fl. 50	90	2.30	30	4	16	5	Fl. 50.40
ELSEVIER P	Fl. 55	–	–	1	6	50	6.70	Fl. 50.40
GIST-BROC. C	Fl. 35	244	0.80	114	2 A	7	2.70	Fl. 30.90
GIST-BROC. P	Fl. 35	43	4.80	3	5.50	–	–	Fl. 30.90
HEINEKEN C	Fl. 140	105	1	–	–	–	–	Fl. 126.30
HEINEKEN P	Fl. 100	64	0.40	–	–	–	–	Fl. 126.30
HOOGOVENS C	Fl. 40	97	1.70	150	3.50	–	–	Fl. 38.50
HOOGOVENS P	Fl. 35	234	1.30	30	2.80	6	3.50 B	Fl. 38.50
KLM C	Fl. 35	213	1.50	104	2.30	17	3.40	Fl. 34
KLM P	Fl. 35	216	2.50	437	4.10	5	4.50	Fl. 34
KNP C	Fl. 136.40	30	1.50	–	–	–	–	Fl. 123
KNP C	Fl. 130	18	2.20 B	30	5.50	5	7	Fl. 123
KNP P	Fl. 130	21	8.40	30	11	60	12	Fl. 123
NEDLLOYD C	Fl. 240	110	5	5	12.50	1	18	Fl. 222.20
NEDLLOYD P	Fl. 210	35	9.30	–	–	–	–	Fl. 222.20
NAT.NED. C	Fl. 60	33	0.80	28	1.70	–	–	Fl. 54.30
NAT.NED. P	Fl. 70	100	15.20	–	–	–	–	Fl. 54.30
PHILIPS C	Fl. 27.50	314	1.10	16	2.20	33	3	Fl. 27.40
PHILIPS P	Fl. 27.50	208	1.30	25	2.10	25	2.60	Fl. 27.40
ROYAL DUTCH C	Fl. 230	439	2.60	128	5.30	2	7.50	Fl. 219.60
ROYAL DUTCH P	Fl. 220	153	5.40	31	10	–	–	Fl. 219.60
UNILEVER C	Fl. 110	300	2.10	175	4.60	3	6	Fl. 102.40
UNILEVER P	Fl. 110	156	9.80	1679	11	–	–	Fl. 102.40

TOTAL VOLUME IN CONTRACTS : 31,323

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

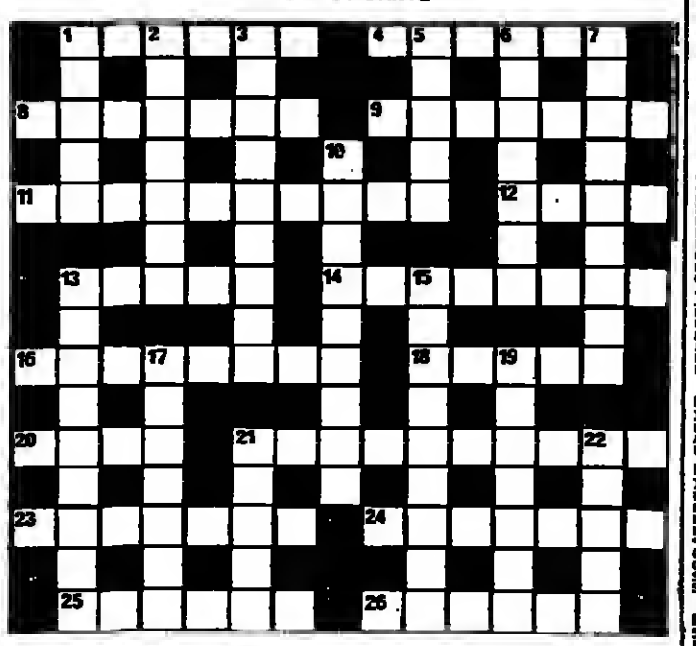
	%
ABN Bank	7½
Adam & Company	7½
AAB - Allied Arab Bk	8
Allied Irish Bank	7½
Henry Ansbacher	8
ANZ Banking Group	7½
Associates Cap Corp	10
Authority Bank	7½
B & C Merchant Bank	7½
Banco de Bilbao	7½
Bank Hapoalim	7½
Bank Leumi (UK)	7½
Bank Credit & Comm	8
Bank of Cyprus	8
Bank of Ireland	7½
Bank of India	7½
Bank of Scotland	7½
Banque Belge Ltd	7½
Barclays Bank	8
Benchmark Bank PLC	7½
Berliner Bank AG	7½
Brit. Bk of Mid East	7½
● Brown Shipley	7½
Business Mtge Tst	8
CL Bank Nederland	7½
Central Capital	7½
● Charterhouse Bank	7½
Citibank NA	7½
City Merchants Bank	7½
Clydesdale Bank	7½
Comm. Bk. N. East	8
Co-operative Bank	*7½
Cyprus Popular Bk	8
Dunbar Bank PLC	7½
Duncan Lawrie	7½
Equatorial Bank plc	8
Exeter Trust Ltd	8
Financial & Gen. Sec	8
First National Bank Plc	9
● Robert Fleming & Co.	7½
Robert Fraser & Ptnrs.	8½
Girobank	8
Grindlays Bank	7½
● Guinness Mahon	7½
HFC Bank PLC	7½
● Hambros Bank	7½
Heritable & Gen Inv Bk	7½
● Hill Samuel	§7½
C. Hoare & Co.	7½
Hongkong & Shangh	7½
Lloyds Bank	7½
Meghraj Bank Ltd	7½
Midland Bank	7½
Mount Bnkg Corp.	8
Nat. Bk. of Kuwait	7½
NatWestminster	7½
Northern Bank Ltd	7½
Norwich Gen. Trust	7½
PK Finans. Int'l (UK)	8½
Provincial Bank PLC	9
R. Raphael & Sons	7½
Roxburghe G'rantee	9½
Royal Bk of Scotland	7½
Royal Trust Bank	7½
Smith & Williams Secs.	7½
Standard Chartered	7½
TSB	7½
UDT Mortgage Exp	‡9.4
United Bk of Kuwait	7½
United Mizrahi Bank	7½
Unity Trust Bank Plc	7½
Western Trust	7½
Westpac Bank Corp.	7½
Whiteaway Laidlaw	8
Yorkshire Bank	7½

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 2.50% Sawise 5.16%. Top Tier-£2,500+ at 3 months' notice 7.50%. At call when £10,000+ remains deposited. ‡ Mortgage base rate. § Demand deposit 3.00%. Mortgage 9.125% - 9.5%

JOTTER PAD

FT CROSSWORD No.6,635

SET BY DANTE



ACROSS

1 Vote to return to the dance (6)
4 Race bets (6)
8 Equipment in what must be a warship (7)
9 Charges are made for the articles stored in it (7)
11 Labour exchange? (4,6)
12 The song told a story (4)
13 Trunk roots disturbed (5)
14 Sailor banished to quarters for being a defaulter (8)
16 Well held! (8)
18 It's a decorative edging, one gathers (5)
20 Half-famished novelist (4)
21 The fruits one can't have decried (4,6)
23 Books at jumble sales (7)
24 Proceeds in an intriguing direction (7)
25 Angled – he'd caught fish (6)
26 They also multiply naturally (6)

DOWN

1 Home for a rabbit is pointless for a donkey (5)
2 A substitute for the match (7)
3 Distorted description of a truant? (3,2,4)
5 There may be a few (5)
6 Stronghold of communism (7)
7 Show promise as a sculptor? (5,4)
10 Advice on how to leave a waiter a meagre gratuity? (3,3,3)
13 Striker on trial in international game (4,5)
15 Defend strong-box with soldier (9)
17 Take a liberty? (7)
19 Fancy a title for a Lennon song (7)
21 Cultivated Scandinavian (5)
22 Snicks boundaries (5)

Solution to Puzzle No.6,634

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK)	201.6	218.4	-1.6	2.8
Columbus (US)	120.8	129.3	-3.0	1.92
Marco Polo (Pac)	229.8	254.5	-3.1	0.23
Da Vinci (Eur)	219.6	234.9	-0.2	1.93
Drake (Wo)	52.4	54.1	-0.3	2.57

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	203.2	216.1	-1.6	2.58
UK Smlr Cos Eqty	212.5	225.1	-0.8	2.07
UK Spec Sits	62.0	66.0	-0.1	2.88
Income Plus	52.6	56.0	-0.1	5.43
European	156.7	166.8	-0.6	1.73
Far Eastern	54.3	57.0	-0.2	1.90
Japanese	56.9	60.6	-0.9	-
North American	104.5	111.2	-3.1	1.78
Intl Growth	106.4	113.2	-1.1	1.06
Worldwide Venture	52.1	55.5	+0.4	5.53

Scottish Provident Inv. Mgt. Ltd
6 St Andrew Sq, Edinburgh EH2 2YA 031-558 2341/2/3

Equity Growth Acc	17.26	18.47	-0.10	2.96
Equity Growth Inc	17.09	18.29	-0.09	2.96
Intl Growth Acc	16.59	17.76	-0.27	1.72
Intl Growth Inc	16.50	17.66	+0.26	1.72
Global Income Acc	18.48	19.78	-0.07	5.41
Global Income Inc	18.48	19.78	-0.07	5.41
Market Leaders Acc	16.20	17.34	-0.14	3.66
Market Leaders Inc	15.99	17.11	-0.14	3.66

Scottish Unit Managers
48 Melville Street, Edinburgh EH3 7HF 031-226 4372

Pacific (z)	83.8	89.0	-3.4	0.80
Income	51.2	54.4	-0.3	4.49
European (z)	33.4	35.5		1.20
Nth American (z)	26.2	27.9	+0.6	0.83
Intl Growth	430.5	457.9	-4.8	1.36
Gwth & Recovery	47.9	50.8	-0.3	2.40

Scottish Widows' Fund Management
PO Box 902, Edinburgh EH16 5BU 031-655 3724

Vanguard Trust Managers Ltd —Contd.

American & Gen	52.2	55.5	-0.9	1.59
(Accum Units)	53.0	57.0	-0.9	1.59
Growth	215.3	229.0	-0.3	2.46
(Accum Units)	324.7	345.4	-0.3	2.46
High Yield	270.3	287.6	-1.6	4.49
(Accum Units)	290.1	308.6	-1.7	4.49
Special Sits	53.4	56.8	-0.1	2.27
(Accum Units)	55.1	58.6	-0.1	2.27
Trustee	158.7	168.8	-1.1	4.15
(Accum Units)	257.8	274.3	-1.4	4.15
European Inc	35.4	37.7	-0.1	0.65
(Accum Units)	35.5	37.0	-0.5	0.65

Wardley Unit Trust Managers Ltd (a)
99, Bishopsgate, London, EC2P 2LA 01-374 0841

Waverley Asset Management Ltd (a) (z) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Wellington Fund Mngrs Ltd
2, London Bridge, SE1. 01-407 4404

Wellington Income	105.7	113.0	+0.8	4.74
Wellington Growth	164.0	174.5	+0.3	1.59

Wessex Asset Management
2 Richmond Hill, Bournemouth BH2 6HW 0202 299432

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assce.	377.7	397.7	—	–
Eb'r Ph. Eq.	330.4	351.4	—	–
Pension Plan Funds				
Phoenix				
UK Equity Acc.	163.7	172.3	-1.2	–
International Acc.	124.4	110.0	-3.6	–
Property Acc.	130.4	137.2	—	–
Fixed Interest Acc.	155.8	164.0	—	–
Money Acc.	139.9	146.7	—	–
Bldg. Soc. Link Acc.	136.5	143.6	—	–
Special Mngd. Acc. 0	145.9	153.5	-0.8	–
Phoenix/Framlington				
Intnl. Growth Acc.	85.5	89.9	+0.9	–
Amer. G Gen. Acc.	78.8	82.0	+0.8	–
Capital Tst. Acc.	168.1	176.9	-0.5	–
Japan & Gen Acc.	191.2	201.2	+2.3	–
American Turn. Acc.	83.8	88.2	+0.4	–
Recovery Tst. Acc.	167.8	176.6	+0.5	–
Special Mngd Acc.	141.8	149.2	+0.4	–
Phoenix/GT				
International Acc.	123.7	130.2	+1.3	–
US & General Acc.	82.8	87.1	—	–
Amer Spec Sits Acc.	64.4	67.7	-0.6	–
Japan & General Acc.	192.7	202.8	+1.4	–
Far East G Gen. Acc.	145.9	153.5	+1.2	–
UK Capital Acc.	169.8	178.7	-1.3	–
European Acc.	129.0	135.7	+1.6	–
Special Mngd. Acc.	124.2	130.7	-0.5	–

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	263.0	276.9	—	–
Man Pens Inc & Cap Fds	335.1	352.8	—	–
Money Fund	112.4	118.4	—	–
Pens. Mngd Fd (Init)	83.0	87.4	—	–
Pens Mngd Fd (Acc)	94.5	99.50	—	–
Pens FT30 Fd (Init)	126.2	132.9	—	–
Pens FT30 Fd (Acc)	143.6	151.2	—	–
Pens O'seas MgFd(Init)	57.2	60.5	—	–
Pens O'seas MgFd(Acc)	65.1	68.6	—	–
Pens Fxd Inc Fd (Init)	106.9	112.6	—	–
Pens Fxd Inc Fd (Acc)	121.6	128.0	—	–
Pens Deposit Fd (Init)	101.3	106.7	—	–
Pens Deposit Fd (Acc)	115.3	121.4	—	–

Premium Life Assurance Co Ltd
37–39, Perrymount Road, Haywards Heath 0444 458721

American	75.0	80.0	-4.0	–
Building Soc. Fd	160.0	169.0	—	–

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Prubond				
Managed May 18	198.5	206.8	-0.3	–

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd.	421.7	443.0	—	–
Equity Fd	833.7	877.6	-3.5	–
Intnl. Fd.	288.5	303.7	-3.0	–
Fixed Int. Fd	365.8	385.1	-0.1	–
Prop Fd	324.2	341.3	—	–
Cash Fd.	237.1	249.6	-0.1	–
Pacific Basin Fd	170.9	179.9	-0.9	–
North American Fd.	115.6	121.7	-2.3	–
European Fd.	117.5	123.5	-0.4	–
Holborn Balanced Gwth Fd	98.6	103.0	—	–
Holborn Strategic Gwth Fd	97.5	102.7	—	–

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	459.6	483.8	-1.7	–
Equity	648.8	683.0	-2.6	–
Global Equity	187.5	197.3	-2.2	–
Fixed Interest	379.0	399.0	-0.6	–
Property	317.7	334.5	—	–
Cash	140.2	147.6	—	–
Index Linked Gilt	166.6	175.4	+0.5	–
Guaranteed	7.92		—	–
International Money	182.7	192.4	+1.9	–
North American Fd.	91.6	94.4	-1.0	–
Japanese Fund	122.9	129.4	-1.9	–
European Fund	63.2	66.6	-0.4	–
Special Situations Fd.	92.0	96.9	-0.7	–
Communications Fund	80.2	84.5	-0.5	–
Smaller Cos Fund	95.0	100.0	—	–

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry May 18	£123.54	127.17	-0.75	–
Equity Fund May 18	£133.95	138.00	-0.56	–
Intn'l Fund May 18	£19.58	20.21	-0.14	–
Intl Bond Fd May 18	£10.07	10.20	-0.21	–
Fixed Int May 18	£68.42	69.30	-0.10	–
Index Linked May 18	£52.50	53.15	-0.08	–
Property Fund May 18	£85.86	90.58	+1.98	–
Cash Fund May 18	£18.9924	18.9924	+0.0282	–
Pru-Linked Retirement Plan				
Managed Fd May 18	310.6	323.6	—	–

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

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FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
99[illegible]	98[illegible]	Transport 3pc '78-88	99[illegible]	.....	[illegible]	6.25
100[illegible]	99[illegible]	Treas. 9½pc '88	100[illegible]	+[illegible]	[illegible]	7.78
102[illegible]	101[illegible]	Treas 11½pc 1989	102[illegible]	+[illegible]	[illegible]	8.14
101[illegible]	99[illegible]	Treas 9½pc Cnv 1989	101[illegible]	[illegible]	[illegible]	8.22
97[illegible]	95[illegible]	Treas 3pc 1989	97[illegible]	+[illegible]	[illegible]	6.08
102[illegible]	100[illegible]	Treas 10½pc 1989	102[illegible]	.....	[illegible]	8.40
102	100[illegible]	Exch 10pc 1989	[illegible]	-[illegible]	[illegible]	8.48
103[illegible]	101[illegible]	Exch 11pc 1989	103[illegible]	+[illegible]	10.6[illegible]	8.47
97[illegible]	95[illegible]	Treas 5pc 1986-89	97[illegible]	+[illegible]	5.[illegible]	7.26
104[illegible]	101[illegible]	Exch 10¼pcCv '89	103[illegible]	+[illegible]	[illegible]	7.95
107½	105[illegible]	Treas 13pc 1990‡‡	106[illegible]	.....	[illegible]	8.60
104[illegible]	102[illegible]	Exch 11pc 1990‡‡	103[illegible]	-[illegible]	10.[illegible]	8.63
107[illegible]	105[illegible]	Exch. 12½pc 1990	106[illegible]	-[illegible]	11.[illegible]	8.67
93[illegible]	91[illegible]	Treas. 3pc 1990	93[illegible]	-[illegible]	3.22	6.79
99[illegible]	98[illegible]	Treas 8¼pc 1987-90‡‡	99[illegible]	.....	8.29	8.49
102½	98[illegible]	Treas. 8pc Cv 1990 ‡‡	99[illegible]	-[illegible]	8.00	8.00
105[illegible]	100[illegible]	Treas. 10pcCv 1990	102[illegible]	-[illegible]	9.74	8.72
91[illegible]	88[illegible]	Exch 2½pc 1990	90[illegible]	-[illegible]	2.76	6.64
107[illegible]	105[illegible]	Treas 11¾pc 1991	106[illegible]	+[illegible]	11.01	8.81
95[illegible]	92[illegible]	Funding 5¾pc '87-91‡‡	94[illegible]	-[illegible]	6.10	8.02
90[illegible]	87[illegible]	Treas. 3pc 1990	89[illegible]	-[illegible]	3.36	7.01
105[illegible]	101[illegible]	Treas 10pc Cv '91 ‡‡	103[illegible]	-[illegible]	9.63	8.55
107[illegible]	104[illegible]	Exch. 11pc 1991	106[illegible]	.....	10.34	8.80
98[illegible]	95[illegible]	Treas. 8pc 1991	97[illegible]	+[illegible]	8.19	8.77
113[illegible]	109[illegible]	Treas 12¾pc 1992‡‡	111[illegible]	+[illegible]	11.41	8.90
104[illegible]	101[illegible]	Treas 10pc 1992	103[illegible]	+[illegible]	9.66	8.87
98[illegible]	94[illegible]	Treas. 8pc 1992 ‡‡	97[illegible]	+[illegible]	[illegible]	8.83
106[illegible]	102[illegible]	Treas 10½pc Cv 1992‡‡	105[illegible]	+[illegible]	9.[illegible]	8.93
86[illegible]	83[illegible]	Treas. 3pc 1992	85[illegible]	-[illegible]	[illegible]	7.11
112[illegible]	108[illegible]	Exch. 12¼pc '92	111[illegible]	+[illegible]	[illegible]	9.04
117[illegible]	113[illegible]	Exch 13½pc 1992	115[illegible]	+[illegible]	[illegible]	9.05
105[illegible]	100[illegible]	Treas 10pc 1993‡‡	103[illegible]	+[illegible]	[illegible]	9.01

Five to Fifteen Years

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
115[illegible]	111	Treas 12½pc 1993‡‡	113[illegible]	.....	11.0[illegible]	9.13
93[illegible]	89[illegible]	Funding 6pc 1993‡‡	92[illegible]	-[illegible]	6.5[illegible]	7.76
121[illegible]	116[illegible]	Treas 13¾pc 1993‡‡	119[illegible]	-[illegible]	11.52	9.18
101[illegible]	96[illegible]	Treas. 8½pc 1994	97[illegible]	.....	[illegible]	[illegible]
125[illegible]	120[illegible]	Treas 14½pc 1994‡‡	123[illegible]	.....	11.76	9.19
120[illegible]	115[illegible]	Exch 13½pc 1994	118[illegible]	-[illegible]	11.37	9.31

[illegible]

BRITISH FUNDS—Contd

Undated

[illegible]

Index-Linked

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for August 1987:102.1 and for March 1988:104.1

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INSURANCES

[illegible]

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هكذا من الأصل

LONDON SHARE SERVICE

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES — Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND — Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES — Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

Stock	Price	+ or -	Div Net	Cvr	Gr's	P/E
Moray Firth 1p	9½	-½	-	-	-	-
Norton Group 5p	19	+1	-	-	-	-
Novoca Gold IR 2p	49	......	-	-	-	-
Pennant Grp. 2p	25	......	t0.2	-	1.2	-
Propeller 1p	50	-3	-	-	-	♦
Publishing Hldgs. 5p	28	+1	-	-	-	10.8
Seacon Hldgs.	68	......	-	-	-	♦
Stats Hldgs. 5p	39	......	-	-	-	40.6
Swangard Studios 1p	3¼	......	-	-	-	18.5
Talcare	247	+2	61.0	8.1	0.5	25.4
Theme Holdings	51	......	1.1	♦	2.9	♦
Tomorrows Leisure 20p	26	......	-	-	-	10.4
Tullow Oil 10p	14	......	-	-	-	-
UPL Group 10p	120	......	L2.41	♦	2.7	♦
Unit Group	142	......	R4.6	2.5	4.3	10.2
Video Tape Record 5p	93xd	+1	L2.5	2.3	3.5	13.4

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ¤¤ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ¤ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	68xd	......
Craig & Rose £1 γ	680	......
Finlay Pkg. 5p γ	77xd	-1
Holt (Jos) 25p γ	£11½xd	......

IRISH

Nat. 9¾% 84/89	£101	......
9pc Cap Ln. 1996	£98⅛	......
Fin. 13% 97/02	£118⅝	......
Arnotts γ	315	......
CPI Hldgs. γ	98	......
Carroll Inds. γ	250	......
Hall (R. & H.)	132	+2
Heiton Hldgs. γ	39	-1
Irish Ropes γ	132	......
Unidare γ	350	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons	38
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	65
GEC	13
Glaxo	65
Grand Met	45
GUS 'A'	95
Guardian	65
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	50
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	30
NEI	10
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect	32
RHM	30
Rank Org Ord	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45
Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50
Oils	
Brit Petroleum	24
Britoil	50
Burmah Oil	50
Charterhall	3
Premier	7½
Shell	95
Tricentrol	18
Ultramar	26
Mines	
Cons Gold	95
Lonrho	20
RTZ	55

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
May 9	May 19	May 20	May 31
May 23	Jun 2	Jun 3	Jun 13
Jun 6	Jun 16	Jun 17	Jun 27

*New time dealings may take place from 9.00 am two business days earlier.

Leading shares beat a retreat with world markets but close above the lowest

A NERVOUS mood was present throughout the session in the UK equity market yesterday. The real cause of concern was the continued weakness of Wall Street overnight, which had a knock-on effect on the Japanese market, bringing its largest one-day fall of the year, and fears that the trend could continue.

Share prices wilted from the moment business opened. The FT-SE index was showing a loss of over 24 points around mid-morning with the market anxiously awaiting the first of several announcements on the British economy. They arrived with a rush soon after 11.30 am, causing fresh volatility and then a slow recovery in values.

First glance of the money statistics astounded marketmakers. The M4 measure of bank lending was some way above expectations at £8.2bn but the adverse effect on sentiment was countered by new evidence of a continuing robust economy. Official figures showed industrial output 1.2 per cent higher in March and UK adult unemployment last month at the lowest level for over six years.

Mr Ian Harwood, leading economic researcher at Warburg Securities, said:" The unexpectedly high bank lending figure might not be as inflationary as first thought. The data this morning included heavier than usual lending to the corporate sector. It was not necessarily the case of too much money chasing too few goods".

He retains a cautious approach towards the market, however, stating that "recent good news on corporate earnings and growth has failed to lift shares, and we can't see anything on the horizon to push the market up in the near term".

Mr Bob Semple, market strategist at County NatWest WoodMac, took a similar view with the comment: "The overall impact of the figures is negative and does little to dispel the current mood of uncertainty". He added: "The market is still in a muddle".

Currency markets took the numbers quite calmly. Forex and security market operators had feared another strong surge in the pound, and were relieved with the outcome which left the rate showing little movement either way on both the dollar and the D-Mark.

Blue chip equities attempted to build on recovery movements several times during the day, but the final effort was thwarted by the Wall Street opening, and the "Footsie" index closed 17 points down on balance at 1760.6, after a day's low of 1753.3. The US market had earlier slipped lower on unconfirmed reports of a major sell programme by a Japanese house.

A resilient Gilt-edged sector continued to shake off the many adverse overseas and domestic influences. Longer maturities were affected initially by the weakness of US bonds but traders operating on the bear tack were soon forced to change view when further good retail buying interest developed at the lower prices.

The fashion to switch longer up the yield curve increased without harming the shorts which attracted enough purchasing power to take up the sales. Final price movements were modest and in either direction, bringing the comment from a market analyst. "There is no strong message in the latest batch of indicators which we did not already have".

Oil and gas stocks were given a mixed reception with the leaders buffeted by the downturn on Wall Street and the second liners boosted by a revived bout of takeover speculation.

Turnover in BP picked up substantially with the "old" shares finally 2½ off at 258½p on turnover of 4.3m and the "new" 1¼ lower at 64¼p on turnover of 9.4m; there was talk in the market of possible shareholder opposition to BP's $250m acquisition of Lear Petroleum.

Lasmo featured in the exploration and production stocks and jumped 14 to 409p as talk in the market suggested that America's Atlantic Richfield (Arco) had picked up a 5 per cent stake in Lasmo from RTZ – a story rejected by Lasmo last night. Enterprise were a busy market and managed a small gain at 386p with some dealers convinced of an eventual merger between it and Lasmo.

Carless Capel, spoken of in the market recently as a prime takeover target after speculation that the 27.3 per cent stake held by London Merchant Securities could be on the move, jumped 14½ to 130p. Other Wytch Farm participants made progress with Goal 2 up at 121p.

British Gas lost 2¼ to 167p on turnover of 8.9m – "purely a reflection of the overall market performance" said one dealer.

Cement shares came to life as rumours of a cement price increase circulated late in the market. Talk was of a rise of £2 per tonne, to be implemented in June.

Rugby were the prime beneficiary, moving ahead smartly to close 8 higher at 251p after a good volume of trade. Blue Circle, down to 412p at one stage, staged a revival and ended a shade off at 415p. Activity expanding to 1.8m shares.

British Airways, awaiting next Tuesday's preliminary figures, traded more actively than most. In a volume of some 4.1m, the shares eased to close 4 cheaper at 150p.

With the integration of British Caledonian believed to have gone though smoothly, County NatWest WoodMac are forecasting pre-tax profits of around £240m for the year compared with £162m last year.

BICC moved up 3 to 316p but dealers expect a marked improvement in activity in the stock over the next couple of weeks when analysts are scheduled to visit the company's various divisions.

They are expected to visit next Tuesday, the company's cable business in Wrexham, and the next week the various Balfour Beatty businesses.

The banking area proved one of the best performing sectors of the market as the recent spate of "buy" recommendations and talk of a widespread stock shortage kept dealers on the bid tack for much of the session. Barclays were especially wanted and jumped 7 to 400p on turnover of 2.1m, while Lloyds rose 4 to 290p and Midland and NatWest 3 apiece to 403p and 553p respectively.

TSB were again given a rough time with persistent selling "in size" leaving the stock a shade lower at 96p with turnover 4.4m shares. But Standard Chartered, stimulated by good support from County NatWest, rose 7 to 430p on turnover of 1.9m.

Discount houses provided one of the market features in Gerrard & National which slumped 17 to 315p after revealing preliminary profits down from £11.22m to £7.01m – "terrible, nobody wants these," said one trader.

Commercial Union were a fraction firmer at 361p – "the shares are a short-term sell" say UBS Phillips & Drew. Royals were 6 better at 393p on bear closing while a County "buy" was responsible for boosting Sun Alliance 5 to 931p.

In brokers Hogg Robinson Gardner Mountain jumped 5 to 153p amid talk of a possible bid from US group Coroon and Black.

Shani Group, the manufacturer of shirts and blouses, placed on the USM at 95p, finished the day at 94p while Texas Instruments, the largest US chip maker, made a quiet debut on the main market with no change on the opening price of £23⅝.

With plenty of stock on the market it was no suprise that leading brewers failed to respond to Phillips & Drew's observation that the UK beer market is growing by about 3 per cent a year in volume terms. Allied Lyons traded easier on turnover of 1.5m while Bass finished down 10 at 809. Guinness resumed their buying-in programme to bring cumulative purchases by the company to almost 15m – the price closed a penny easier as 1.9m shares changed hands.

Although Scottish & Newcastle were easier, dealers said they remained bullish in the anticipation of bid developments "in the near future." Morland, the Oxfordshire-based brewer, provided the cheer with more than doubled interim profits of £3.1m and gained 10 to 515p.

Once again, International stocks came under the shadow of Wall Street. Despite several revivals after an initial markdown, sellers predominated throughout the session and final losses were fairly substantial. Glaxo ended a little above the worst with a loss of 16 at 903p, while Beecham finished 12 down at 452p, after 453p.

There was a marked expansion of activity in Hanson ahead of next Wednesday's half-year figures - turnover of 15m compared with the previous day's level of only 2.3m - with the shares settling 3 cheaper at 127½p. Among other stocks vulnerable to Wall Street, Christies International were outstanding with a fall of 21 at 525p, while Reuters reacted 13 more to 450p and Rank Organisation gave up a similar amount to 702p.

British Aerospace, unsettled by the group's move to seek extra Government help to develop the next generation of European Airbuses, reacted 14 to 387p in a volume of some 2.5m shares.

Avon Rubber remained on offer after the preliminary figures and gave up 9 more to 695p for a two-day loss of 30. Associated British Ports, left out in the previous advance in companies with property assets prompted by Land Securities' revaluation, met with keen support and moved ahead smartly to close 17 higher at 538p.

Underwoods provided the main action in the stores sector and revealed preliminary profits down from last time's £3.11m to £628,000, well below even the most pessimistic forecasts.

Underwoods shares dipped to 125p at one point but later rallied to close a penny up on the day at 132p on a mixture of bid speculation and recovery hopes.

Racal shares dipped to 307p early on but later rallied to close only a shade off at 311p on turnover of 6.3m shares following news that the Racal-Scicon consortium had won the Government data network contract, worth up to £300m. Scicon jumped 3½ to 72½p on the news.

Other top-line electronics were under modest pressure, with the market generally uneasy over the defence white paper issued on Wednesday. Ferranti, down 4 at 77p, GEC, a penny off at 146p and Plessey 3 lower at 156p were the worst affected by the selling associated with worries over defence spending.

Dessoutter, up 19 at 280p, amid a revival of takeover rumours, provided one of the few bright spots in the Engineering sector.

Apart from Cement shares, the Building sector was featured by Ruberoid which raced ahead to close 27 to the good at 193p as speculators moved in following the revelation of Raine Industries' 5.3 per stake in the company. F.J.C. Lilley, scheduled to disclose preliminary figures next Thursday, attracted buying interest and put on 4 to 48p.

Fairline Boats weighed in with a 50 per cent increase in mid-term profits and the shares jumped to 430p before closing at 420p. Virgin, on the other hand, continued to suffer at the hands of Wednesday's figures and the warning for the full year, closing down 6 at 86p.

Reed International fell as rumours that it will sell its European paper interests faded and the price touched 404p before closing at 405p, down 5, on volume of 1.0m. Jefferson Smurfit, thought to be a possible buyer of Reed's paper group, were hit by selling pressure from Ireland and fell 10 to 384p.

Bunzl continued to fall, losing 4 to 129p. Marketmakers say the company has given too many presentations recently and that the City is bored with its story. DRG gave up 5 to 383p, drifting with the market. A statement by chairman Sir John Milne at the annual general meeting failed to boost sentiment. Saatchi had a dull day, dipping 14 on profit-taking to 373p. One marketmaker described the stock as "mindless, with no direction" and the market agreed.

Profit-taking was much in evidence among leading Properties following Wednesday's gains. Land Securities were 8 easier at 588p – with 5m shares changing hands – despite "buy" recommendations from analysts forecasting net assets per share of 800p by March 1989. MEPC fell 19 to 568p while British Land were 7 easier at 330p. [illegible] the market for more Stead & Simpson shares and announced holdings of 29.89 per cent ordinary and 9.82 per cent 'A' ordinary.

P & O fell steadily throughout the day as short-term investors took profits after Wednesday's rise which was influenced by Land Securities' revaluation. The shares gave up 12 to close at 578p but analysts say the continuing Dover ferry strike is fully discounted in the current price.

Campari continued to perform well on the back of a recent B&W review and posted a gain of 9 to 319p after peaking at 325p.

Turnover expanded in the traded options market with calls of 20,698 and puts of 19,878 giving a grand total of 40,576 contracts. Hanson attracted 535 calls and 3,671 puts ahead of next week's interim figures. FT-SE index calls were 1,867 and puts 5,077.

Traditional Options

- First dealings May 16
- Last dealings May 27
- Last declarations Aug 11
- For Settlement Aug 22

For rate indications see end of London Share Service

Stocks favoured for the call included Glaxo, Amstrad, Hanson, British Petroleum partly-paid, Pavion, Astra Holdings, Thames TV, Brewmaker and PML. Rowntree were dealt in for the put but no double options.

FINANCIAL TIMES STOCK INDICES

	May 19	May 18	May 17	May 16	May 15	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	89.97	90.03	90.16	90.26	90.18	91.90	91.43 (18/4)	86.97 (15/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.13	98.05	98.10	98.11	98.10	97.98	98.31 (9/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1403.1	1425.4	1435.5	1425.3	1428.6	1581.6	1478.7 (14/3)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	200.9	198.3	197.8	196.3	195.4	350.4	212.5 (7/1)	195.4 (13/5)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.66	4.60	4.57	4.59	4.58	3.71				
Earnings Yld. % (full)	12.04	11.87	11.80	11.86	11.83	8.29				
P/E Ratio (net) (*)	10.16	10.31	10.37	10.33	10.35	14.27				
SEAQ Bargains (5pm)	24,937	23,935	25,080	23,488	22,276	51,952				
Equity Turnover (£m)	-	1498.0	1169.33	1080.37	1165.30	1678.63				
Equity Bargains	-	25,090	25,735	24,358	23,496	73,050				
Shares Traded (ml)	-	512.7	385.2	297.5	344.7	775.3				

S.E. ACTIVITY

Indices	May 18	May 17
Gilt Edged Bargains	128.7	144.0
Equity Bargains	162.6	166.7
Equity Value	3011.7	2363.5
5-Day average		
Gilt Edged Bargains	128.4	130.0
Equity Bargains	160.9	163.5
Equity Value	2568.9	2461.7

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1410.1	1404.7	1409.4	1409.6	1409.8	1410.1	1411.0	1407.0

Day's High 1411.1 Day's low 1404.6

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.06.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

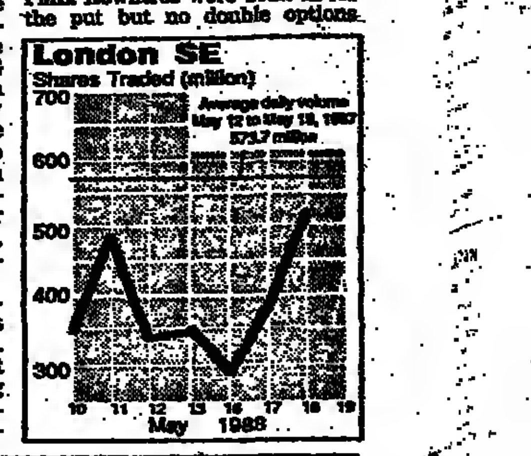
NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (41).

BRITISH FUNDS (1) Transport 3% 1978/88, LOANS (1) N'wide Anglia 13.3.89, AMERICANS (1) Amtac, BANKS (1) Ansbacher, BREWERS (3) Morland, Young Brew A, Do. N/Vtg., BUILDINGS (3) Crosby (James), Lilley (F.J.C.), Ruberoid, ELECTRICALS (4) Lec Refrigeration, MMT Computing, Macro 4, Memec, ENGINEERING (1) Ash & Lacy, HOTELS (1) Aberdeen Steak Houses, INDUSTRIALS (9) Amari, BSS Group, Barrett (Henry), EIS, Manchester Ship Canal, Platon Intl., Rauma-Repola, Silentnight, Sykes-Pickavant, LEISURE (2) Anglia TV, Williams (Rex), NEWSPAPERS (2) Euromoney Publications, Haynes Publishing, PROPERTY (3) Allied London [illegible]

NEW LOWS [illegible]

AMERICANS [illegible] BUILDINGS [illegible] ELECTRICALS [illegible] HOTELS [illegible] LEISURE [illegible] PAPERS [illegible] AFRICANS [illegible] MINES [illegible]



TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	15	88	9
Corporations, Dominion and Foreign Bonds	1	17	21
Industrials	202	646	702
Financial and Properties	65	312	274
Oils	20	46	40
Plantations	3	1	9
Mines	60	46	86
Others	33	145	79
Totals	413	1,300	1,220

FT — ACTUARIES INDICES

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Wed May 18 Index No.	Tue May 17 Index No.	Mon May 16 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (208)	[illegible]									
2 Building Materials (29)	[illegible]									
3 Contracting, Construction (35)	[illegible]									
4 Electricals (12)	[illegible]									
5 Electronics (32)	[illegible]									
6 Mechanical Engineering (56)	[illegible]									
8 Metals and Metal Forming (7)	[illegible]									
9 Motors (13)	[illegible]									
10 Other Industrial Materials (24)	[illegible]									
21 CONSUMER GROUP (187)	[illegible]									
22 Brewers and Distillers (21)	[illegible]									
25 Food Manufacturing (23)	[illegible]									
26 Food Retailing (15)	[illegible]									
27 Health and Household (12)	[illegible]									
29 Leisure (30)	[illegible]									
31 Packaging & Paper (17)	[illegible]									
32 Publishing & Printing (16)	[illegible]									
34 Stores (35)	[illegible]									
35 Textiles (18)	[illegible]									
40 OTHER GROUPS (92)	[illegible]									
41 Agencies (19)	[illegible]									
42 Chemicals (20)	[illegible]									
43 Conglomerates (13)	[illegible]									
45 Shipping and Transport (12)	[illegible]									
47 Telephone Networks (2)	[illegible]									
48 Miscellaneous (26)	[illegible]									
49 INDUSTRIAL GROUP (487)	[illegible]									
51 Oil & Gas (13)	[illegible]									
59 500 SHARE INDEX (500)	[illegible]									
61 FINANCIAL GROUP (123)	[illegible]									
62 Banks (8)	[illegible]									
65 Insurance (Life) (8)	[illegible]									
66 Insurance (Composite) (7)	[illegible]									
67 Insurance (Brokers) (7)	[illegible]									
68 Merchant Banks (11)	[illegible]									
69 Property (51)	[illegible]									
70 Other Financial (29)	[illegible]									
71 Investment Trusts (81)	[illegible]									
81 Mining Finance (2)	[illegible]									
91 Overseas Traders (8)	[illegible]									
99 ALL-SHARE INDEX (712)	[illegible]									

	Index No.	Day's Change	Day's High	Day's Low	May 18	May 17	May 16	May 13	May 12	Year ago
FT-SE 100 SHARE INDEX ♦	1760.6	-17.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Thu May 19	Day's change %	Wed May 18	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	123.76	+0.04	123.71	-	4.39
2 5-15 years	140.92	-0.06	141.00	-	4.60
3 Over 15 years	148.45	-0.07	149.54	-	6.10
4 Irredeemables	165.68			-	6.08
5 All stocks	137.55	-0.03	137.59	-	4.76
Index-Linked					
6 5 years	126.54	+0.09	126.42	-	0.51
7 Over 5 years	120.70	+0.20	120.46	-	1.18
8 All stocks	120.99	+0.19	120.77	-	1.12
9 Debentures & Loans	119.14	-0.07	119.22	-	4.49
10 Preference	92.74	+0.26	92.50	-	2.75

AVERAGE GROSS REDEMPTION YIELDS		Thu May 19	Wed May 18	Year ago (approx.)
British Government				
1 Low Coupons	5 years	[illegible]	[illegible]	[illegible]
2	15 years	[illegible]	[illegible]	[illegible]
3	25 years	[illegible]	[illegible]	[illegible]
4 Medium Coupons	5 years	[illegible]	[illegible]	[illegible]
5	15 years	[illegible]	[illegible]	[illegible]
6	25 years	[illegible]	[illegible]	[illegible]
7 High Coupons	5 years	[illegible]	[illegible]	[illegible]
8	15 years	[illegible]	[illegible]	[illegible]
9	25 years	[illegible]	[illegible]	[illegible]
10 Irredeemables		[illegible]	[illegible]	[illegible]
Index-Linked				
11 Inflation rate 5%	5yrs.	[illegible]	[illegible]	[illegible]
12 Inflation rate 5%	Over 5 yrs.	[illegible]	[illegible]	[illegible]
13 Inflation rate 10%	5yrs.	[illegible]	[illegible]	[illegible]
14 Inflation rate 10%	Over 5 yrs.	[illegible]	[illegible]	[illegible]
15 Debs & Loans	5 years	[illegible]	[illegible]	[illegible]
16	15 years	[illegible]	[illegible]	[illegible]
17	25 years	[illegible]	[illegible]	[illegible]
18 Preference		[illegible]	[illegible]	[illegible]

♦Opening index 1762.4; 10 am 1753.5; 11 am 1761.3; Noon 1762.8; 1 pm 1763.4; 2 pm 1763.7; 3 pm 1764.1; 3.30 pm 1764.4; 4 pm 1758.5

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons (*414)	390	33	43	53	14	18	25
	420	16	27	25	57	65	67
	460	5	15	25	57	65	67
Brit. Airways (*150)	140	15	20	23	7	9	13
	160	5	10	13	18	19	25
[illegible]							

Option		Calls			Puts		
LASMO (*410)	360	47					
	390	25					
	420	9½					
P. & O. (*574)	500	92					
	550	54					
[illegible]							

May 19 Total Contracts 40,576 Calls 20,698 Puts 19,878

FT-SE Index Calls 1867 Puts 5077

*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+or-	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]											

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+or-
[illegible]							

[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+or-
[illegible]							

هكذا من الأصل

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY (continued) · ITALY · NETHERLANDS (continued) · NORWAY · SPAIN · SWEDEN (continued) · SWITZERLAND · SOUTH AFRICA · AUSTRALIA (continued) · HONG KONG · SINGAPORE · JAPAN

JEOL	1,180	-20
Japan Radio	1,380	-40
Japan Steel Wks	458	+3
Jap S Battery	620	-16
Japan Synth Rbr	1,020	—
Jujo Paper	815	-5
Nippon Denso	1,950	-40
Nippon Elect	2,170	-50
Nippon Express	1,170	-30
Nippon Gakki	2,310	-30
Nippon Hodo	3,550	-30
Nippon Kayaku	1,240	-20
Taisho Pharm	2,200	
Taiyo Fishery	561	
Taiyo Kobe Bank	1,540	
Takara Shuzo	962	
Takeda	2,910	
Tanabe Seiyaku	2,290	

CANADA

TORONTO
Prices at 2.30pm May 19

MONTREAL
Closing prices May 19

OVER-THE-COUNTER
Nasdaq national market, closing prices

Continued from Page 43

Stock	Sales (Hds)	High	Low	Last	Chng
OldStn 1.56	20	50	16¾	16¾	16¾
OmniBk .40		2	20¼	20¼	20¼
Omnicm .80	13	334	19¾	19¾	19⅝ − ⅛
OneBc .40	6	204	13⅝	13⅛	13¼ − ⅜
OpticC	35	107	14⅜	14⅜	14⅛ − ⅜
OpticR	12	133	15	14½	15
Oracles	33	1795	16	15¼	16
Orbit	12	783	5¾	5⅛	5 11-16 + 5
Orfa		105	2¼	2 1-16	2¼ + 1-1
OrntFd .15r		1	13¾	13¾	13¾
OshBAs.28a	15	589	22¾	21¼	22¾ + ¾
SCI Sys	14	1678	12⅛	11¾	12 − ¼
SCORU		T 218	9¼	8½	9¼
SEIs .05e	10	878	17⅛	16¾	16¾ − ¾
SHL Sys		348	14¼	14¼	14¼ − ¼
SKFAB1.73e	0	28	40⅞	40⅞	40⅞ + ⅜
Safecrd	6	1005	7⅝	7⅛	7½ − ⅛
Safecos 1.00	T	363	23¼	22¾	23¼ + ¼
SagHbr		14	14¼	13¾	14¼ + ½
Sahlen		773	2 1-16	1 15-16	2 + 1-16
StJude	10	2204	29⅝	29⅜	29½ + ⅝
StPaulB .30		277	10¼	10¼	10⅛ − ¼
TokioFs .24		93	82½	82	82½ − ¼
Toppss .37a	0	159	15⅜	15⅛	15⅜ + ⅛
Tradlnd	7	26	14	13¾	13¾ − ¼
TWApf		28	29¾	28¾	28¾ + ¼
TrnMus	17	120	20¾	20	20 − ¾
Trnwck.04e	10	33	12¼	12	12 − ¼
TriadSy	15	44	11	10⅞	10⅞
Trimed	28	1086	13⅛	12⅞	12⅞ − ⅜
TrusJoe .36	11	77	21½	20¾	21½ + ¼
Tsricp 1.40	7	85	22¼	21¾	22 − ⅛
20Cntu .36	11	349	15⅝	15⅜	15½
XL Dts	14	161	21¾	21	21¼ − ½
XOMA		743	10	9½	10 + ¼
X-Rite .08	15	223	23	22½	22¾ − ¼
Xicor	16	1427	8	7½	7⅞ − ¼
Xidex		1447	5⅛	5	5⅛ + ⅛
Xylogic	5	62	10	9½	9¾ + ¼
Xyvsn		113	6¾	6¼	6⅝
YlowFs .82	16	982	24¾	24¼	24¾
ZionUt 1.44		18	25⅜	25	25¼
Zondvn	34	494	9⅝	9¼	9¼ − ⅜

INDICES

NEW YORK — DOW JONES

	May 18	May 17	May 16	May 13	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	1951.09	1986.41	2007.63	1990.55	2110.08 (12/4)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	87.85	88.05	88.42	88.15	91.25 (3/3)	86.12 (4/1)	—	—
Transport	796.74	813.47	829.3	822.43	904.12 (23/3)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	167.08	167.73	169.22	168.39	190.02 (29/1)	167.26 (28/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 1992.87 (2026.69) Low 1941.31 (1982.10)

STANDARD AND POOR'S	May 18	May 17	May 16	May 13	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite‡	251.35	255.39	258.71	256.78	271.55 (13/4)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	292.76	296.72	300.56	298.27	316.53 (13/4)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	21.83	22.15	22.4	22.25	24.04 (3/3)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	142.51	144.65	146.21	145.30	153.20 (13/4)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	292.79	296.57	297.96	297.94	306.59 (12/4)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	366.99	372.27	373.35	372.48	383.41 (13/4)	331.97 (12/1)	455.26 (26/8/87)	54.87 (31/10/72)

	May 13	May 6	Apr. 29	year ago (approx.)
Dow Industrial Div. Yield	3.6	3.54	3.45	2.93
	May 11	**May 4**	**Apr. 27**	**year ago (approx.)**
S & P Industrial div. yield	3.28	3.04	3.07	2.51
S & P P/E ratio	14.51	14.96	15.16	22.43

TRADING ACTIVITY

† Volume (Millions)	May 18	May 17	May 16
New York	209 420	133 850	156.227
Amex	9 965	9.152	9.730
OTC	141.865	124.548	98.240

NEW YORK	May 18	May 17	May 16
Issues Traded	1,976	1,958	1,946
Rises	271	524	895
Falls	1,287	981	548
Unchanged	418	453	503
New Highs	10	11	11
New Lows	25	14	12

CANADA

TORONTO	May 18	May 17	May 16	May 13	1988 High	1988 Low
Metals & Minerals	2675.1	2714.2	2725.5	2706.8	2877.5 (19/4)	2238.1 (8/2)
Composite	3178.5	3223.2	3236.9	3237.5	3402.4 (12/4)	2977.9 (8/2)
MONTREAL Portfolio	1572.42	1595.98	1603.73	1531.53	1681.54 (12/4)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Philadel Elect	4,115,200	18	—
Macmillan	2,744,600	68¾	+ 18⅝
Texaco	2,404,000	49¾	+ ⅛
Lucky Stores	2,365,400	64¼	+ 3¼
Hewlett-Packard	2,328,800	57	− 3¾
Texas Utilities	1,957,300	25¾	− ⅛
AT&T	1,851,100	26¼	− ⅛
General Electric	1,223,200	39¾	− ½
IBM	1,217,400	108⅝	− 1¾
Union Carbide	1,191,200	20⅞	− 1⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

AUSTRALIA · AUSTRIA · BELGIUM · DENMARK · FINLAND · FRANCE · GERMANY · HONG KONG · ITALY · JAPAN** · NETHERLANDS · NORWAY · SINGAPORE · SOUTH AFRICA · SPAIN · SWEDEN · SWITZERLAND · WORLD

‡ Subject to official recalculation

Base values of all indices are 100 except Brussels SE – 1,000; JSE Gold – 255.7; JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

CHIEF LONDON PRICE CHANGES YESTERDAY
(Prices in pence unless otherwise indicated)

RISES		
A B Ports	538	+ 17
Blick	174	+ 7
Campari Intl.	318	+ 9
Carless Capel	130	+ 14½
Desoutter	280	+ 19
LASMO	409	+ 14
Polly Peck	299	+ 9
Rugby Group	251	+ 8
SD-Scicon	72½	+ 3½
FALLS		
Bass	809	− 10
Brit. Aerospace	387	− 14
Christies Intl.	525	− 21
Courtaulds	357	− 6
Gerrard & Nat.	315	− 17
Glaxo	903	− 16
Grand Met.	498	− 8
MEPC	567	− 20
P. & O. Defd.	573	− 12
Reuters B	450	− 13
Tate & Lyle	759	− 14
Virgin Group	86	− 6

TOKYO - Most Active Stocks
Thursday, 19 May, 1988

	Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	79.10m	406	unch
Nippon Kokan	58.40m	404	-1
Mitsui Mine and Smelt	34.26m	540	+8
Nippon Steel	29.26m	465	-8
Toshiba	22.73m	870	-24
Hitachi Zosen Corp	16.70m	298	-2
Toyo Menka	15.78m	474	-3
Kawasaki Kisen	14.61m	313	-11
Sumitomo Metal	14.11m	390	-5
Keisei Electric Railway	13.50m	981	-9

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock		Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25¾	14	AAR	e	.36	1.5	30	512	24⅛	23½	23¾	−⅜
27	10½	AGS	s			14	274	18¼	17¼	18	
7⅞	2⅝	AMCA					88	2⅞	2¾	2⅞	+⅛
⅝	3-16	AMCA	rt				236	¼	3-16	¼	
8⅝	3¼	AM	Intl				407	3¾	3½	3¾	+⅛
65½	26¾	AMR				10	6108	40⅝	39⅝	40⅛	−¼
27¼	24⅞	ANR	pf	2.67	10.		1	25½	25⅛	25½	
11½	5¾	ARX				10	442	7⅞	7⅝	7¾	
72⅞	40⅛	ASA		3	7.8		534	43¼	42¾	42⅞	+½
22⅝	9½	AVX				11	283	15⅞	15½	15⅝	−⅜
68⅝	40	AbtLab		1.20	2.8	15	4771	43⅝	42⅞	43½	−⅛
28	15⅝	AbtiBi	g	1			5	16	16	16	−⅛
16¾	8½	AcmeC		.40	3.7		140	10⅞	10½	10⅞	+¼
10½	6⅝	AcmeE		.32b	4.7	21	0	7	6¾	6⅞	
20	14⅛	AdaEx		3.05e	20.		43	15⅝	15⅛	15¼	
19¼	0⅞	AdamM		.24	1.5	13	01	15⅝	15½	15⅝	
24⅞	7½	AMD					15762	14⅞	13½	14⅞	+⅝
56¾	29¼	AMD	pf	3	7.0		15	39¼	39	39¼	
11⅞	4⅝	Adobe				11	95	6⅞	6¾	6⅞	−⅛
20¼	16¾	Adob	pf	1.84	10.		80	16	17¾	16	+¼
13⅝	6⅛	Advest		.12a	1.9	7	207	6⅝	6½	6½	−⅛
64¼	39½	AetnLf		2.76	6.8	9	5976	40⅝	39¾	40⅜	+¼

Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35¾	19⅛	XTRA	.64	2.1	13	25	30	29⅝	30	
29¾	16½	XTRA pf1.94		7.2		34	27	27	27	+½
47½	17½	Yorkin			14	688	44⅛	43¼	43¾	
7¼	2¼	Zapata				243	3	2⅞	2¾	−⅛
37	13½	Zayre	.40	1.8	12	9178	22¼	20⅝	21⅛	+1
16⅞	6¾	Zemex	.40	3.0	17	0	13¼	13⅛	13⅛	−¼
33⅝	10	ZenithE				1982	21½	20	21⅛	+⅞
10¾	10	Zenin n				249	10⅛	10	10¼	+⅛
11½	1	vjZonLb				1061	1⅞	1⅛	1¼	+⅛
24	13⅛	ZenNtl	.60	3.9	10	81	21⅛	20½	20¾	−⅜
20⅝	11⅝	Zero	.40	2.9	13	314	13¾	13¼	13⅝	+¼
30¾	15	Zurnin s	.88	3.4	13	120	19⅞	19½	19¾	
10⅝	7⅝	Zweig	1.34e	13.		402	10¼	10¼	10⅛	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 41

AMERICA

Dow stages small rally after earlier sharp fall

Wall Street

EQUITIES RECOVERED from an early sharp fall yesterday to record the first day's gain since Tuesday's release of the US trade figures for March showing a substantial narrowing in the deficit, *writes Janet Bush in New York.*

At one point, the Dow Jones Industrial Average had fallen more than 28 points to stand at a low of 1,922.91. However, share prices then started to rebound from their lows, and by the close the Dow had registered a small gain of 7.63 points to end at 1,958.72.

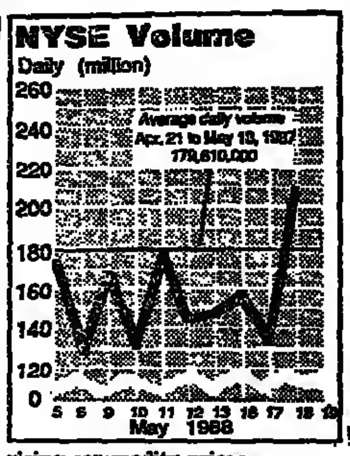
Volume was relatively high, with just over 165m shares having changed hands.

US bond prices drifted, but managed a small gain by the end of the session. The Treasury's benchmark 30-year bond issue was quoted ⅛ of a point higher in late trading for a yield of 9.28 per cent.

Movements in the equity market since Wednesday's trade figures announcement have closely followed fluctuations in bond prices. Whenever bond prices have been falling, equities too have been undermined.

The close relationship between the two markets this week is based on the perception that – since the bond market's very substantial fall over recent weeks – the equity market has become overvalued against the bond market, which is now offering extremely attractive yields to investors.

Talk in both markets continues to be dominated by fears about the strength of the economy leading to overheating and therefore higher inflation. Apart from the possible inflationary pressures seen on a macroeconomic level, markets are also worrying about rising commodity prices.



One of the most closely watched indicators this week has been the Commodity Research Bureau's index of prices, which closed on Wednesday at 242.9, its *highest level since April 1985.*

Further evidence on the inflation front will be provided by the release today of the latest consumer prices data, expected to show a rise of around 0.4 per cent in April.

On the equity market, Union Carbide slumped $2⅞ to $18⅞. The company said it planned to cut its *quarterly dividend* by 49 per cent and hold a stock offering, in an attempt to reduce its indebtedness and provide an *injection of cash to its operations.*

General Mills added $⅜, *rising* to $44⅞ after news that it is leaving *the retailing business. It is* selling its Talbots chain to a Japanese *company and its Eddie* Bauer subsidiary to Speigel for a *total of $585m.*

Amfac jumped $6¼ to $45¼. *The company said its management had proposed a cash buyout which would value the company* at $41 a share. The management group is discussing financing for the deal and is confident that it can get the necessary funds, although no firm commitments have been elicited at this stage.

Meanwhile, Castle & Cook said in a filing with the Securities and Exchange Commission that it held a 7.3 per cent stake in Amfac and had Federal clearance to raise its holdings to as much as 15 per cent.

SmithKline Beckman, the manufacturer of ethical drugs, *added* $⅞ to $49⅞, after news that it had agreed to buy a significant stake in Nova Pharmaceutical.

The two companies also said they had preliminary agreements to form partnerships for the development of drugs to treat nervous system diseases and allergies. In over-the-counter trading, Nova was *unchanged at* $8¼.

Arkansas Best, which manufactures furniture as well as being in the trucking business, rose $⅞ to $29⅝, after the company said it *rejected a takeover offer by* Razorback worth $30 a share.

In the latest twist to the long-running attempt by the Bank of New York to take over Irving Bank, the two met on Wednesday for the first time since the takeover fight began on September 25. The Bank of New York repeated that it intended to increase its bid. Irving yesterday closed unchanged at $61⅞ and Bank of New York dropped $⅝ to $29⅝.

Among results announced yesterday, *Dresser Industries fell $¼* to $33, after it reported net earnings *in its second quarter of* $21.3m or 30 cents a share, compared *with a loss from continuing* operations of $8.1m a year earlier.

SOUTH AFRICA

THE rise in the bullion price helped take gold shares higher amid modest demand for most blue chips, in spite of declines in leading stock markets around the world.

Foreign investors returned after a long absence and institutional support was also quite strong. The bullion price rose to almost $460 yesterday.

Randfontein rose R11 to R224, Vaal Reefs added R9 to R246 and Driefontein put on R1 to R32.25.

De Beers was 55 cents higher at R33.75, *Impala Platinum R1.50 at* R26.75 and Gencor 50 cents at R48.25.

Among industrials, Barlow Rand gained 25 cents to R20.20, SA Breweries added 35 cents to R17.10 and Messina found 50 cents to R14.

Canada

RISING GOLD issues helped move Toronto share prices away from earlier *lows.*

The composite index, which had declined about *30* points in earlier trading, dropped 9.5 to 3,169, as declines outnumbered advances by 504 to 288 on light turnover of 23.3m shares.

The market's recovery lagged behind a modest rally on Wall Street.

ASIA

US losses push Nikkei into worst fall of 1988

Tokyo

THE steep overnight drop in US bond and equity prices hit Tokyo yesterday, leading to the sharpest fall in the Nikkei average so far this year, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average ended 394.34 down at 27,373.24 after moving between a high for the day of 27,759.49 and a low of 27,371.89. The previous sharpest fall, of 346.96, was on January 4.

Volume reached 1.1bn shares yesterday, down from the previous day's 1.3bn shares. Declines were far greater than advances, at 733 compared with 200, and 129 issues closed unchanged.

The fall of the Dow Jones Industrial Average below 1,960 on Wednesday fuelled concern among Japanese investors that inflation would resurge in the US, causing another stock markets crash.

This anxiety took a broad range of issues lower throughout the day. One leading securities house said some dealers dumped part of their holdings on the belief that Tokyo is unlikely to see a strong rally while Wall Street stays lacklustre.

Leading issues fell almost across the board. Kawasaki Steel, the most active stock with 75m shares, closed unchanged at Y406 after gaining Y6 temporarily on its diversification into personal computers. Nippon Kokan eased Y1 to Y404 and Sumitomo Metal Industries Y5 to Y390.

Larger high-technology stocks also slipped. Toshiba Corp shed Y24 to Y870 on profit-taking, NEC Y50 to Y2,170, Sony Y100 to Y5,330 and Fuji Photo Film Y90 to Y4,000.

The financial sector dropped throughout, with Sumitomo Bank losing Y60 to Y3,680 and Nomura Securities Y100 to Y4,030. Tokyo Electric Power lost Y130 to Y6,120.

Some investors shifted demand from leading issues to low-priced ones to reap quick profits, meaning active trading of stocks backed by factors such as technological development.

Mitsui Mining and Smelting, third busiest with 34m shares, closed up Y6 at Y540 after moving between Y530 and Y554, helped by steady progress in its research and development related to superconductivity.

Mitsubishi Metal advanced Y40 to Y1,270 on expectations that its idle plant site on the Bay of Tokyo is to be redeveloped, while Pacific Metals ended Y4 down at Y786 after rising Y28 on the strength of non-ferrous metals prices.

Late profit-taking took Keisei Electric Railway Y9 lower to Y991. It rose Y10 to Y1,000 at one stage on the good performance of Tokyo Disneyland, partly owned by its subsidiary.

Contractor Sato Kogyo finished Y3 down at Y870 after rising Y16 momentarily on investor interest in an underground development project in central Tokyo.

Bonds lost ground on news that the yield on the US 30-year Treasury bond had climbed above 9.25 per cent overnight. Institutional investors retreated to the sidelines to wait for developments in the US bond market.

The yield on the bellwether 5.0 per cent government bond, due in December 1997, moved in a narrow range of 4.745 per cent to 4.765 per cent, closing at 4.755 per cent, against Wednesday's 4.745 per cent finish.

Equities fell on the Osaka Securities Exchange on selling of export-led issues, with the OSE stock average suffering its largest drop this year of 303.08 to 27,436.85. *Volume decreased by* 44m shares from the previous day to 103m shares.

Australia

THE upward trend of the previous four sessions was ended by selling of industrial stocks and shares closed lower after the overnight fall on Wall Street.

The All Ordinaries index fell 11.3 to 1,442.5 on a turnover worth A$174m.

Among banks, Westpac fell 12 cents to A$6.06 amid news that its annual profits rose 67 per cent. ANZ and NAB banks each lost 14 cents to A$4.15 and A$8.40, after rising on Wednesday on their good profits figures.

Hong Kong

CONCERN over the sharp fall in Tokyo led to widespread selling and the Hang Seng index lost 26.5 to 2,506.76.

Turnover was higher than on Wednesday, at HK$733m worth of shares against HK$[illegible].

Properties led the way down, with Hongkong Land, the most actively traded stock, losing 10 cents to HK$7.40.

Cheung Kong, which traded ex-dividend, fell to HK$[illegible] from the previous unadjusted close of HK$[illegible].

IBI Asia gained 1 cent to 13½ cents after announcing it would not pay a final dividend for 1987, while trading was suspended for two days in Paladin International pending an announcement of a merger with its parent, Paladin Investments of New Zealand.

Singapore

SPECULATIVE selling and some profit-taking followed the drop in Tokyo and shares ended moderately lower, with the Straits Times Industrial index off 10.7 at 994.31.

Buying activity focused on cheaper-priced issues and some Malaysian speculative stocks, while blue chips and quality stocks fell on selling.

Newly-listed Electro Magnetic saw the heaviest trading with about 1.6m shares changing hands, rising 1 cent to S$1.66.

EUROPE

Sharp declines reduced by bargain hunting

LOSSES in Tokyo and New York knocked investor confidence further and European bourses *closed lower, although some* afternoon bargain hunting lifted *prices from the day's lows, writes Our Markets Staff.*

FRANKFURT opened sharply down in response to earlier falls *in Tokyo and New York but managed to recover some ground as buyers, especially foreign, sought* bargains.

Shares dropped 2 per cent at the opening and by midday the *FAZ* index was 9.18 lower at 433.16. By the close the market was about 1 per cent lower.

Banks and carmakers were the hardest hit, with Daimler losing DM10.50 to DM579.60 and BMW off DM6.50 at DM503.50.

Airliner Lufthansa said it expected satisfactory earnings this year – but declined to elaborate on last year's figures – and fell DM3 to DM138, while Karstadt reported higher group profits and a raised 1987 dividend and added DM3 to DM451.50.

Continuing takeover speculation helped Feldmühle-Nobel to rise DM2.50 to DM286.50, *amid* news that the company is to ask shareholders to approve a measure limiting voting rights.

Bonds rose from pre-bourse lows, with the 6½ per cent 1998 bond yielding an unchanged 6.64 per cent.

PARIS started badly after the falls in New York and Tokyo. But buyers came back later to leave shares only slightly lower on the day, with the Indicateur de Tendance off 0.10 at 112.70. The CAC General index, based on opening prices, fell 2.1 to 307.

Volume was estimated by one UK brokerage at FFr1.5bn, reasonable given the uncertainty gripping global markets. "Paris seems to be quite resilient and people still have quite a lot of confidence in it," said one analyst. The fact that the general election would be out of the way quickly was positive, and a Socialist victory was already reflected in prices, he added.

One of the strongest performers was construction group Bouygues, which rose FFr43, or nearly 5 per cent, to FFr925 amid market rumours of a possible management buyout. Ciments Français, which told an analysts' meeting two days ago it expected earnings this year to rise more than 20 per cent, gained FFr7 to FFr945.

ZURICH also opened lower but picked up slightly, with the Crédit Suisse index 3.1 down at 435.2. Volumes were pretty thin and there appeared to be little impact on the market from the opening of the options and futures exchange.

Nestlé, due to hold its annual general meeting, started weaker but recovered to end SFr65 higher at SFr8,040. Engineer Brown Boveri saw good demand on its rumoured 15 per cent stake in Hong Kong's China Light and rose SFr10 to SFr2,120. Oerlikon-Bührle added SFr10 to SFr820 after saying it expected to approach break-even this year.

BRUSSELS took its cue from leading stock markets and closed lower, with the stock market index losing 40.61 to 4,651.20.

Rumours of a mystery buyer continued to surround Petrofina, *with it closing at BFr11,200 after* going ex-dividend. It fell just BFr325 against a net dividend of BFr380. Ex-dividend utilities were hit, however, and Intercom lost BFr280 to BFr3,380.

MILAN reacted with disappointment to Fiat's decision not to propose a capital increase and shares ended sharply lower, hit also by declines in other stock markets. The MIB index dropped 26, or 2.6 per cent, to 973 after rising 1.2 per cent on Wednesday.

Foreign investors sold leading internationals, and Fiat fell L265 to L8,625 while Generali lost L2,260 to L84,020.

AMSTERDAM ended lower on the weaker dollar and bearishness on other bourses, with the ANP-CBS index falling 4.1 to 282. Insurer Aegon was suspended pending news of a 7 per cent rise in first quarter profits and resumes trading today.

STOCKHOLM showed some resilience from early losses, with the Affärsvärlden General index ending 4.1 lower at 887.9. Volvo, off SKr10 at SKr332, and Ericsson, up SKr4 at SKr255, were actively traded. Pharmacia rose SKr2 to SKr153 after its 8 per cent rise in first quarter profits.

COPENHAGEN rose to a year's high, with the stock exchange index at 206.93, up 2.98, on strong institutional demand, better bond prices and optimism over the political situation.

HELSINKI also advanced, and the Unitas index ended 3.6 higher at 628.4, just short of its all-time high of 661.5.

London

NERVOUSNESS pervaded the market in London yesterday after falls in Tokyo and New York, and the FT-SE 100 index lost 17 to 1,769.8.

International favourite ICI was active with 1.5m shares traded, falling 10p to 956p, while Jaguar lost 7p to 241p. Market turnover remained relatively low.

The union of Central and Banesto has caused surprisingly few ripples, writes Peter Bruce

Madrid unruffled by bank merger

IF THE Madrid bourse cares much about the merger announcement late on Tuesday of two of its biggest stocks, Banco Central and Banco Español de Credito (Banesto), *it is playing its cards close to* its chest.

On Wednesday, the general index clawed up 0.87 points, by which *time* shares in both banks had been suspended.

Yesterday's news that inflation in April had fallen by the *biggest monthly margin* in seven years – 0.3 points – *came too late* to *stop the introspection* and the index had *slumped* 1.59 to 271.28. *Things* may improve today on the *inflation news (if it is* believed), though the sharp *falls in New York and Tokyo* may work their way through.

Banks did best of all yesterday, but it is difficult to explain why *a big event in a* sector which accounts for 36 per cent *of the index and* nearly 50 per cent of volume. traded *last year* caused *so few* ripples.

"People don't get *too* excited about Spanish banks because they support their own stocks," was one explanation from a London broker.

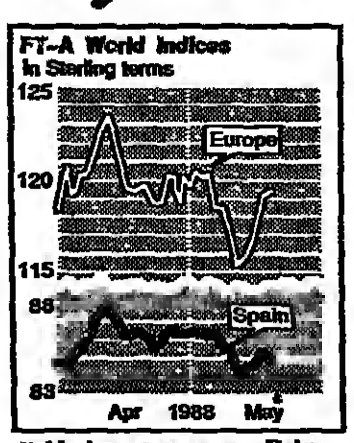
Although the merger had been well signposted, most outsiders were expecting it to be a long, drawn-out process.

Only last Thursday, Warburg Securities and Asesores Bursatiles made the largest international placement of Spanish equity since last October 19 when they sold off 2.8 per cent of Banesto for $100m.

Lucky buyers. Brokers and analysts are forecasting that when the two banks return to the market their stock is likely to rise sharply. When last quoted on Tuesday, Central was at 1,145 per cent of par and Banesto at 1,135 per cent.

Speculation in Madrid is that trading in them will begin again on Monday and most bets are on prices of around 1,300 per cent to 1,350 per cent of par.

Banesto, particularly, "is far too cheap," said one analyst referring to the bank's huge industrial empire and the profitable insurance group, Union y Fenix. "It would probably be worth more apart than together."



Both banks say they want to merge at least parts of their industrial groups, where there has been some movement since the merger announcement.

Cepsa, the oil refiner in which Central has an important stake, is being heavily bought on speculation that it will be merged with Banesto's oil group, Petromed. In that case, Petromed is the less attractive stock because Banesto already owns 55 per cent of the company while Central only has about 17 per cent of Cepsa.

It is a moot point whether the fall-out from Central-Banesto will have the relatively dramatic effect on the bourse that it threatens to have in the industries involved.

For the moment, no one really knows how the banks and their industrial companies are going to be merged, if at all. The merger discussions have taken place amid uncommonly tight secrecy for Spain.

After a *good first quarter* – much of it generated by the *happy marriage of Banco de* Bilbao and Banco de Viscaya – *during* which *the* Madrid index rose nearly 20 per cent, *the* market has *flattened.*

It rather shrugged off a cut in Spanish base *lending* rates last week that proved more *theatrical than* real, *but* neither is it being easily shaken by troubles in bigger markets.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY MAY 19 1988					WEDNESDAY MAY 18 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (88)	125.09	+0.0	99.33	107.33	4.11	125.06	99.45	107.85	125.09	91.16	140.46
Austria (16)	88.45	+0.3	70.24	78.07	2.68	88.19	70.13	78.03	98.18	84.35	88.65
Belgium (65)	121.47	−2.1	96.46	106.94	4.67	124.11	98.69	109.57	139.89	99.14	116.47
Canada (125)	115.58	−0.5	91.78	104.03	3.24	116.12	92.33	104.31	125.49	107.06	125.30
Denmark (39)	126.01	+2.6	100.06	111.23	2.62	122.86	97.69	108.95	126.01	111.42	117.28
Finland (25)	132.75	+1.8	105.41	112.16	1.87	130.45	103.73	110.66	132.75	106.78	–
France (121)	87.48	+0.0	69.47	78.94	4.07	87.52	69.59	79.18	90.19	72.77	112.18
West Germany (99)	73.15	−1.7	58.09	64.65	2.87	74.40	59.16	65.95	80.79	67.78	91.49
Hong Kong (46)	98.92	−1.4	78.55	99.28	4.59	100.31	79.76	100.62	105.83	84.90	113.27
Ireland (18)	123.27	−0.9	97.89	110.46	4.29	124.39	98.91	111.81	124.70	104.60	129.01
Italy (102)	70.67	−2.5	56.12	66.61	2.97	72.47	57.62	68.46	81.74	62.99	101.59
Japan (456)	172.16	−1.0	136.71	135.81	0.52	173.93	138.30	137.87	177.27	133.61	150.61
Malaysia (36)	130.98	−0.9	104.01	130.52	2.78	132.21	105.13	131.83	133.24	107.83	166.00
Mexico (14)	144.74	+3.2	114.94	361.92	1.38	140.20	111.48	350.57	176.90	90.07	173.81
Netherland (38)	102.61	−1.0	81.48	89.15	5.19	103.64	82.41	90.33	110.66	95.23	118.21
New Zealand (21)	77.62	−0.2	61.64	59.73	6.07	77.76	61.83	60.00	79.15	64.42	91.30
Norway (25)	116.49	−1.8	92.51	97.80	3.10	118.57	94.28	99.82	132.23	98.55	138.17
Singapore (26)	111.29	−1.0	88.38	103.27	2.45	112.45	89.42	104.39	114.93	97.99	137.99
South Africa (60)	128.31	+2.9	101.89	82.19	5.17	124.73	99.18	79.90	139.07	118.16	181.62
Spain (42)	150.10	−0.1	119.19	127.93	3.37	150.25	119.47	128.40	155.36	130.73	112.30
Sweden (36)	121.71	−0.5	96.65	106.53	2.67	122.27	97.22	107.34	124.75	96.92	114.37
Switzerland (55)	76.05	−0.4	60.39	66.81	2.55	76.37	60.73	67.28	86.75	75.65	95.94
United Kingdom (328)	136.50	−0.8	108.40	108.40	4.45	137.55	109.38	109.38	141.18	123.09	146.45
USA (580)	102.91	+0.4	81.72	102.91	3.78	102.49	81.50	102.49	110.51	99.19	114.71
Europe (1009)	105.87	−0.9	84.07	89.36	3.95	106.84	84.96	90.36	110.71	97.01	119.71
Pacific Basin (673)	167.46	−1.0	132.98	133.21	0.71	169.13	134.49	135.18	172.26	130.81	148.79
Euro-Pacific (1682)	142.82	−1.0	113.42	115.80	1.68	144.22	114.68	117.39	147.53	120.36	137.19
North America (705)	103.59	+0.4	82.26	103.00	3.75	103.22	82.08	102.62	111.28	99.78	115.27
Europe Ex. UK (681)	86.93	−1.0	69.03	77.38	3.49	87.84	69.85	78.42	92.81	80.27	103.12
Pacific Ex. Japan (217)	110.77	−0.5	87.97	99.86	4.26	111.34	88.53	100.65	111.90	87.51	126.67
World Ex. US (1881)	141.74	−0.9	112.55	115.18	1.76	143.05	113.75	116.68	146.49	120.26	137.26
World Ex. UK (2133)	125.83	−0.5	99.92	111.25	2.16	126.44	100.54	112.09	130.28	111.77	126.70
World Ex. So. Af. (2401)	126.75	−0.5	100.65	111.17	2.36	127.43	101.33	112.05	130.96	113.26	128.10
World Ex. Japan (2005)	104.97	−0.1	83.36	98.04	3.86	105.08	83.55	98.22	110.99	100.00	117.92
The World Index (2461)	126.76	−0.5	100.66	110.97	2.38	127.41	101.32	111.82	130.92	113.37	128.45

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).